

HOUSE / SENATE FINANCE COMMITTEE MINUTES - 1967-1982 2537

Mr. Arnold said that they had included money in the FY 73 budget request to extend operation. Mr. Butte said it was \$5,000 to \$10,000 for installation of transmitters. He explained that transmitters continued to signal for 25 miles and in rare instances up to 40. He said that the transmitters were directional, but by putting antennas (up to four of them) the effect is non-directional.

Mr. Wright asked whether, if the legislature approved the supplemental for \$49,500 it would take them through to June 30. Mr. Arnold said yes.

Mr. Hohman asked whether if the state provided funds to back up programs for which they had anticipated federal funds and subsequently the grant went through whether it would be possible to reclaim the money. Mr. Arnold said no.

Mr. Arnold said that the problem is that the U. S. Commissioner of Education said that the goals of the federal government were to assist facilities and to help solve problems of disadvantaged areas. The goals were later changed to upgrading facilities. Mr. Arnold said that throughout their application they stressed educating the population as their goal. Another problem is that that the federal government received \$64 million worth of applications and only has \$13 million to allocate. Those two things are working against them.

Mr. Butte said they could go ahead and spend up to the level of State matching funds of 25%, but if they went beyond that, it would look as if they didn't need the funding.

Mr. Butte said it took at least three to six months to get a construction permit, so it would take at least 9 months to a year to complete a station. Mr. Wright asked if they would need the operational money the first year then. Mr. Butte said there was a tremendous amount of planning requirements.

Mr. Hohman asked Mr. Arnold if he would expand his staff if he received a supplemental. Mr. Arnold said he would be happy to set it out in a letter.

Mr. Warwick asked if Bethel had priority to Kotzebue. Mr. Arnold said yes, both with regard to time and the U.S. Commissioner's goals.

Mr. Arnold said another thing they were trying to accomplish was a principle that state supported stations would provide air time at no cost to state supported school systems. The bare bones cost would be in the neighborhood of \$4,000 or \$5,000. Mr. Warwick commented that it would be better to just tell them to do it and not appropriate any money.

ADJOURN Meeting adjourned at 6:00 p.m.

AFTER RECESS  
March 24, 1972  
4:15 p.m.

PRESENT

Representatives Fink, Warwick, Wright and Hohman were present. Representative Ferguson was also present. Department of Education personnel attending were Dr. Marshall Lind, Commissioner, Robert L. Thomas, Deputy Commissioner, Nathaniel Cole, Director of Administrative Services, Mr. James M. Harper, Director of Regional Schools and Boarding Home Programs, and William Overstreet of the Alaska School Board Association. Mr. Robert Jacobs and Myrt Charney from Budget and Management were also present.

Chairman Hohman called the meeting back to order.

Mr. Hohman asked if fire service training was done in communities throughout the state. Commissioner Lind said yes. Mr. Hohman then asked if the training will be moved to a central facility such as the Sitka Academy. Commissioner Lind said there were no present plans for such a move.

HB 544

Mr. Thomas stated that the Governor's HOUSE BILL NO. 544 (An Act relating to the financing of local schools) contemplates modifying the foundation program to include pupil transportation, revenue sharing and debt service in one package and keeping the total expenditure level at the same dollar figure as the current year. Mr. Thomas went on to say that the Department of Education and the State Board of Education recommended the inclusion of pupil transportation in with the foundation program, but wished to keep separate revenue sharing and debt service.

Mr. Thomas said the department believes that there should be changes in HOUSE BILL NO. 544 which would make a difference in what would be in the budget. He added that they had written a memorandum to the Governor explaining their position.

Mr. Thomas then passed out copies of a memorandum which had been sent to Rich Guthrie, Fiscal Analyst. They were similar to the memorandum sent to the Governor; all figures were the same.

Mr. Thomas referred to the first sheet of comparison (page 395 of the minutes). The first portion on the left "FY 72, Best Present Estimate" shows current support to districts under separate divisions and the total by district. The grand total amounts to \$76,381,949. Under HB 544 (the section blocked off) the amount per district given and the total amount distributed to districts is approximately \$1 million less (\$75,335,822) than they are getting this year. He stated that they felt this was not the intent of the draft, and they compared it to 1973 estimateds (the last section on the right of the sheet) if there are no legislative changes.

He said the state has no review of the plans, and the schools can build anything under the guise of education; the state has no say at all, but ends up paying the bill.

Representative Fink said some standards must be set. Mr. Charney said they had talked about it. He went on to say that their intent was to put debt service in a foundation program. Mr. Thomas stated that their bill would not come out that way; they had not included capital outlay. Mr. Cole said it was defined as operation.

Representative Warwick asked if Mr. Charney thought they were over-building. Mr. Charney stated that he saw the way the swimming pool here in Juneau was sold, and the state qualified it as an education facility.

Representative Fink said the state of Oregon has a plan where so many feet of space are allocated to so many students. He said the state could set some valid limits, but should not "wipe the whole thing out". Mr. Charney said the principle had been that until the state got an increase in revenue, they did not want to increase support. He said the state is practically on a reclining plain. He said the decision made was on the basis of "hold now" until there was more revenue for the state.

Mr. Jacobs spoke of fostering local management. He said that currently, the districts have no alternative but to use debt service support for construction. Under a true foundation approach, alternate solutions could be tried (year-round schools, etc.)

Mr. Thomas said that dealing with construction money that way leaves the municipality paying for the facility. He added that he could not imagine any school board turning over foundation money to pay debt service if the municipality was supposed to.

Representative Wright stated that Commissioner Lind had testified earlier in the session that he knew nothing about HOUSE BILL 544. He said that now it seemed they were getting a reversal. Mr. Wright said he knew that the Department of Administration wrote the bill, and then stated that he had the impression that Commissioner Lind was now trying to defend the bill. He asked the Commissioner if that was a fair assessment of the situation. Commissioner Lind replied that they did not see the bill or know the figure until it came out. He said that as Mr. Thomas indicated, it was their recommendation to have transportation included, but they did not recommend the other two. He said that debt service should be handled as it is at the present time.

Districts under the present statutes in building budgets are looking at \$80 million; a substantial difference than that which would have been provided in HOUSE BILL NO. 544.

Mr. Thomas said they therefore told the Governor that it reflected his intent and suggested that having all programs lumped together had its drawbacks, especially that of debt service because it goes to the school district and not to the municipality. The municipality must come up with debt service money out of local tax service.

Mr. Thomas then said that the department recommended a compromise which would leave transportation, Mini-874, and the foundation programs combined, but would break debt service out separately. He referred to the second sheet (page 396 of the minutes.), the last column. They would use the instructional unit of entitlement at \$20,000.

He said they justified leaving in Mini-874 because districts containing numbers of state workers have fairly high tax values and stable pay rolls.

The reason they don't believe debt service should be included, he went on, is because there have been too many bond issues passed where the state picked up 50 per cent of the debt service.

Representative Warwick asked why they did not just leave debt service in. Mr. Thomas replied because the State Board is trying to encourage more "responsibility" for transportation costs. Mr. Warwick then asked why they didn't change the package.

Representative Fink noted that Anchorage and Fairbanks come out short under the department's proposition. Mr. Thomas explained that it was because those areas are losing a little bit of the Mini-874. Representative Fink stated that Anchorage would have 34.2 instead of 35.1. Mr. Thomas said he had no strong feelings for leaving it the way it is except for transportation. He added that the department is trying to monitor it. He said the communities get two per cent for administering it and full reimbursement.

Mr. Charney said that at the time the budget figure was derived, \$75,335,822 was the department's best present estimate for fiscal year 1972. He stated that at that time they were estimating a lapse. Since then, they have changed their best estimate to \$76.3 within the intent of the original recommendation. He said the Budget and Management figure is out of date. Mr. Fink said it was a similar dollar amount, but the level was different. Mr. Charney said that was true.

Mr. Charney stated that debt service was just an open-ended deal.

Mr. Charney said Budget & Management and the Department of Education both wanted some standards as Mr. Fink had suggested, but at the present time there were none.

Mr. Thomas said that the Department of Education had requested a school facilities man in the budget who might accomplish the setting up of some standards, but the request was always cut out at the administrative level, not at the legislative level.

Representative Fink said that Dr. Hartman tried to improve the foundation program concept. He said it was open-ended at the time and he wanted standards set rather than just wipe out the program. He said that would just transfer the tax burden to the local government. Mr. Fink will not support such a transfer. Mr. Charney said that a level of total support to school districts must be set first, and that total must be decided by the Finance Committees.

Representative Wright stated that he could prove that the Department of Administration is responsible for the misinformation to the Governor regarding the statement that no district would come to any harm. He stated that Administration should not be getting into education that deeply. Mr. Wright continued to say that someone had told the Governor that \$22,000 was needed, while Mr. Wright told him the amount was \$20,000. Mr. Charney stated that the misunderstanding had occurred while he was present and said that it had happened in the Governor's office at 12:45 a.m. when the Commissioner gave a guess and happened to be wrong. Mr. Charney stated that he thought it was made clear by the Commissioner that it was just a guess.

Mr. Jacobs stated that there was much confusion surrounding two issues: 1) the level of funding--any level can be selected under the unification approach. Unification is one thing and level support is another. He said they recommended both. 2) some people say the present system is equitable, but this is not necessarily true. He said that an equitable program should be built from the base up, regardless of where they are now.

Mr. Thomas disagreed with Mr. Jacobs' having referred to the amount of confusion. He said that Mni-874 has nothing to do with the foundation program. He stated that it was aimed at distributing funds back to the municipality, and added that if there is any inequity, it is due to the fact that it has been in operation for only one year.

Mr. Jacobs stated that the total package of aid to local districts would be \$80 million.

Mr. Wright stated that there are inequities, but as long as he is here, no one from Administration will be making changes. The changes must be done by the legislature, the Governor, or the Department of Education.

Representative Fink stated that he thought debt services should never be in the foundation program. He said that the area that is growing will have a problem. The cost of construction will vary with the growth of towns. He said that most other things in the foundation now are stable throughout the state.

Mr Thomas said that they find that if they put in factors and the district has transportation but transports less than 1/2 of their pupils, they are given a 5 per cent kickback, and if more than 1/2, then they are given a 10 per cent kickback. He added that a district not having any transportation does not receive any kickback at all.

Representative Fink asked why not fund transportation at 75 per cent. Mr. Thomas said they were trying to get the department out of being a third party with the problem of having to police transportation. He went on to say that even at 75 per cent they might not be too interested in building schools at central locations as opposed to busing students everywhere. He said you can use a large school and let children walk or use small schools and bus the students everywhere.

Representative Fink said that transportation varies much with where people are living. He added that factors of 5 and 10 per cent work out with what they are getting now, but maybe Nome (for example) will have a new transportation amount and Anchorage goes down, so the 5 and 10 per cent factors arrived at have no relationship to cost except as to what the figures are now.

Mr. Thomas said the state would have had to pay \$600,000 extra. Mr. Wright then asked if he would "speculate" even if they were paying 10 per cent of the bill. Mr. Thomas said that 75 per cent may be the point where the district will become responsible.

Representative Fink then asked if the Department of Education had testified on the Governor's bill. Commissioner Lind stated that it wasn't out yet. Mr. Fink stated that they had taken the proposal to the Governor and asked if there was any decision made. Mr. Lind said that the Governor had told them he would support the recommendation they made for \$77 million. Mr. Fink remarked that that was still a cut.

Mr. Cole said there would be \$66,120 less for Anchorage. Mr. Fink said that would make \$34,555,000, as opposed to the other way, so

it was a little under. Mr. Cole said that Mini-874 is estimated as the full appropriation amount. Mr. Fink added that figure was for fiscal year 1973.

Representative Wright asked what was proposed this year for Mini-874. Commissioner Lind said the same level of \$1.7 million, but that would be wiped out and put together with all the other programs. Representative Wright said to suppose that the bill did not exist, then what would the level be. Mr. Cole said they would assume the legislative figure of last year (\$1.7) would remain the same for this year.

Representative Fink mentioned the maintenance level of debt service is \$2.8 million. Mr. Cole said there was currently a double deduction in the cigarette tax, but there is a bill introduced to eliminate that so the figures would be revised.

Representative Warwick asked why the Administration doesn't set standards for debt service and fund transportation at cost less 10 per cent. Commissioner Lind said that would probably solve it.

Representative Wright asked if transportation will go up by \$100,000 in Anchorage. Mr. Thomas said that was the best estimate figure.

Representative Wright stated that the way the statutes read now they don't mean anything. There is an obligation to automatically supplement the foundation program. Mr. Fink said it still has to be passed.

Mr. Thomas said that if a surplus exists, it is lapsed, and a deficiency is distributed on a pro-rated basis. Mr. Cole said they will still go pro-rated deduction. Mr. Fink said that it was the surplus they were after.

Mr. Warwick asked if the Governor will support the budget since he supports the concept. Commissioner Lind answered yes.

Mr. Thomas then asked if there were any materials the Finance Committee would like between today's meeting and Tuesday's hearing. Mr. Fink asked if they would come up with any ideas on a bill for standards.

BILL  
ASSIGNMENT  
HB 735

HB 735 (Establishment of a program for assistance for housing and related facilities for Alaskans who are unable to finance housing) - Degnan

ADJOURNMENT The meeting adjourned at 5:30 p.m.

FY 72  
Best Present Estimate

District	Transp.	Mini-874	Debt Retirement	Instr. Units	Foundation
Anchorage	2,248,124	594,728	1,231,807	1,702	29,583,573
Bristol Bay	32,872	8,570	28,795	22	440,233
Cordova	11,486	4,284	11,990	37	706,750
Galena	12,247	-	-	12	232,829
Hillingham	29,624	10,067	-	34	732,054
Fairbanks	869,286	416,910	463,329	463	8,422,340
Galena	37,703	16,709	-	32	570,388
Hoonah	-	642	-	25	497,697
Hydaburg	-	-	-	6	117,037
Kenai	206,807	232,021	235,306	237	4,121,637
Kake	9,720	-	-	15	298,927
Katmai	640,613	142,898	341,928	324	5,613,300
Katchikan	178,023	60,630	23,270	171	2,962,575
King Cove	-	-	-	6	128,617
Klawock	-	-	-	5	98,948
Kodiak	113,381	19,925	-	169	3,190,964
Kotzebue	367,015	76,921	-	157	2,812,331
Kunena	47,956	644	-	21	414,248
Nome	3,780	30,851	-	55	1,186,921
Pelican	-	-	-	6	111,625
Petersburg	27,090	9,213	29,281	46	818,160
Port Heiden	65,344	26,995	10,503	112	1,940,400
Shogway	-	858	-	21	363,825
St. Mary's	-	-	-	9	198,296
Unalaska	-	-	-	12	240,127
Valdez	20,342	38,992	-	28	509,342
Wrangell	22,560	1,072	-	43	780,086
Yakutat	11,315	7,070	-	13	257,222
<b>Totals</b>	<b>4,955,288</b>	<b>1,700,000</b>	<b>2,376,209</b>	<b>3,783</b>	<b>67,350,452</b>

395-

3/24/72

**FY 73 Estimate  
Under Proposed  
Bill HB 544  
20,725 Base Unit**

**FY 73 Estimate  
If No Law Changes And All Programs  
Are Fully Funded  
19,250 Base Unit**

Total	Instr. Units	Foundation	Transp.	Mini-874	Debt		Total
					Retirement	Foundation	
33,658,232	1,763	32,884,357	2,472,936	876,022	1,231,807	30,543,975	35,124,740
510,470	25	538,605	36,159	12,623	28,795	500,265	577,842
734,510	37	761,533	12,635	6,311	11,990	707,325	738,261
245,076	12	251,326	13,472	-	-	233,436	246,902
771,745	32	741,793	32,586	14,831	-	688,989	736,406
10,171,865	475	9,302,828	956,214	614,099	463,329	8,640,630	10,674,272
624,800	32	610,773	41,473	24,614	-	567,304	633,391
498,339	26	557,633	-	947	-	517,939	518,886
117,037	7	148,066	-	-	-	137,526	137,526
4,795,771	246	4,633,278	227,487	341,762	235,306	4,303,528	5,108,023
308,647	16	344,343	10,692	-	-	319,831	330,523
6,738,739	363	6,770,858	704,674	210,485	341,928	6,222,975	7,546,062
3,224,498	172	3,208,230	195,825	89,306	23,270	2,979,900	3,288,391
128,617	6	138,857	-	-	-	128,972	128,972
98,948	5	106,679	-	-	-	99,086	99,086
3,324,270	173	3,509,914	124,719	29,348	-	3,260,070	3,414,137
3,256,267	167	3,207,679	403,717	113,302	-	2,979,389	3,456,408
462,848	21	444,749	52,752	947	-	413,091	466,799
1,221,552	57	1,327,639	4,158	45,442	-	1,233,133	1,282,733
111,625	6	121,886	-	-	-	113,210	113,210
883,744	44	840,622	29,799	13,570	29,281	780,700	853,445
2,043,242	113	2,107,733	71,878	39,762	10,503	1,957,000	2,079,868
364,683	21	391,703	-	1,262	-	363,000	365,087
198,296	9	213,873	-	-	-	198,648	198,648
240,127	12	258,530	-	-	-	240,127	240,127
568,676	37	724,641	22,376	57,434	-	673,060	752,870
803,718	45	888,480	24,816	1,578	-	825,247	851,641
275,607	14	299,214	12,447	10,414	-	277,915	300,776
<b>76,381,949</b>	<b>3,936</b>	<b>75,335,822</b>	<b>5,450,815</b>	<b>2,504,059</b>	<b>2,376,209</b>	<b>69,973,916</b>	<b>80,304,999</b>

(FOR DISCUSSION PURPOSES ONLY)

School District	Est. FY 72 Found. + Transp. + Mini-874	73 Found. Est. @ 19,250 + Trans. & Mini-874 @ FY 72 Level	HB 544 Includes Foundation Pupil Transp., Mini-874 & Debt Serv.	(Combined Found. + Transp. + Mini-874) Entitlement @ 20,000
Anchorage	32,426,425	33,386,827	32,884,357	33,320,700
Bristol Bay	481,675	541,707	538,605	545,738
Cordova	722,520	723,095	761,533	771,646
Craig	245,076	245,683	251,326	254,663
Dillingham	771,745	728,680	741,793	751,616
Fairbanks	9,708,536	9,926,826	9,302,828	9,875,250
Haines	624,800	621,716	610,773	618,877
Healy	498,339	518,581	557,633	538,132
Hydaburg	117,037	137,526	148,066	142,888
Juneau	4,560,465	4,742,356	4,633,278	4,694,758
Kake	308,647	329,551	344,343	348,916
Ketchikan	6,296,811	7,055,161	6,770,858	7,187,400
Hatchikan	3,201,228	3,218,553	3,208,230	3,250,800
King Cove	128,617	128,972	138,857	133,996
Klawock	98,948	99,086	106,679	102,949
Kodiak	3,324,270	3,393,376	3,509,914	3,556,528
Metlax	3,256,267	3,423,325	3,207,679	3,405,015
Nemah	462,848	461,691	444,749	472,115
Nome	1,221,552	1,267,764	1,327,639	1,281,162
Palican	111,625	113,210	121,886	117,623
Peperburg	854,463	817,098	840,622	851,776
Seward	2,032,739	2,050,064	2,107,733	2,237,400
Skagway	364,683	364,683	391,703	378,000
St. Mary's	198,296	198,648	213,873	206,385
Unalaska	240,127	240,127	258,530	249,480
Valdez	568,676	732,394	724,541	734,265
Wrangell	803,718	848,379	888,480	900,269
Yakutat	275,607	296,300	299,214	317,625
Totals	74,005,740	76,611,879	75,335,822	77,245,972

-396-

3/24/72

HOUSE FINANCE COMMITTEE

March 28, 1972

8:50 a.m.

PRESENT Representatives Hohman, Fink, Haugen, Ditman and Degnan. Also present were Representatives Swanson and Whittaker. Robert P. Isaac, Special Assistant, Department of Education, Charles S. Matlock, Deputy Commissioner, Department of Highways, and Robert Dwyre, Deputy Commissioner of the Department of Public Works were also in attendance.

Chairman Hohman called the meeting to order.

HB 564 The subject of discussion was the construction unit package which comes under HOUSE BILL NO. 564 (An Act appropriating to the Department of Public Works \$680,000 for the purchase and operation of construction service units) and encompasses  
HB 610 the following three bills: HOUSE BILL NO. 610 (An Act appropriating to the Department of Public Works \$100,000 for construction of an airport at Crooked Creek);  
HB 627 HOUSE BILL NO. 627 (An Act appropriating to the Department of Public Works \$50,000 for the extension of the Holy Cross  
HB 612 airfield); and HOUSE BILL NO. 612 (An Act appropriating to the Department of Public Works \$100,000 for constructing an airport at Russian Mission (Kuskokwim).

Representative Swanson stated that HOUSE BILL NO. 564 would create a constructional service unit to be put in the Yukon, Kuskokwim and Kobuk areas. The cost of the constructional service unit would consist of a grader, V-8 cat with ripper, a three-yard loader, five-yard dump trucks and a tool-type welding unit. Money for rental for a barge for a 110 day season (which is the length of the constructional season in the Interior) would also be included in the cost.

Representative Swanson said that HB 564 had been amended in the Local Government Committee from \$678,000 to \$1,020,000 which will take in the third unit that goes into the Kobuk region.

He then referred to a map which showed the locations where the barging concept could be put to use. He stated that the constructional unit under the Department of Public Works could be utilized to cut transportation costs and contractual costs in order to make the small airport construction feasible. He said that if a contractor bids a job in a remote region, he ties up equipment for a full year in that

area; with the construction service unit and with the figures worked out by the Department of Public Works, using ten airports in the remote regions under this plan, the state would save \$4.5 to \$5 million.

Representative Swanson spoke briefly about the three areas involved in HOUSE BILL NOS. 610, 612, and 627: He stated that the extension of the Holy Cross airfield could not be done under a regular contract; if an airport was built there under such circumstances, it would cost approximately \$150,000. Under the constructional service unit plan the requested amount is just \$50,000. The airport at Russian Mission under a regular contract would cost \$150,000, an estimate given by an engineer in Anchorage. Mr. Swanson stated that under the HOUSE BILL NO. 564 concept, a minimum airfield could be built in that area for only \$100,000. He said that in the small village at Crooked Creek there were only a few people there to justify the amount of money it would cost to build an airport under a regular contract which would run from \$150,000 to \$250,000. With the proposed constructional unit the cost would be \$100,000.

Representative Swanson then passed out drawings done by seventh and eighth graders of Crooked Creek for the Finance Committee, requesting support of HOUSE BILL NO. 610.

Mr. Isaac then addressed the committee on the relationship between this type of unit and the Department of Education. He stated that the Department of Education supports HOUSE BILL NO. 564, and although they are not actively engaging in the construction of schools, they are aware that there are a number of small schools located on various river complexes which would benefit from the proposal. He said this concept would be of particular importance in the construction of utilities systems. Chairman Hohman asked if they were inadequate, and Mr. Isaac said that many of these places still have primitive sewerage and water systems. Mr. Hohman then asked who was doing the survey in those areas, and Mr. Isaac replied the Department of Public Works. Mr. Isaac added that the systems they have used in the past are no longer acceptable.

Representative Haugen asked Mr. Isaac what size of school he was talking about. He replied the one - three classroom schools. He stated that the larger schools are done on a regular contractual basis.

Chairman Hohman asked about the \$5 million cost for ten airports. Representative Swanson said this cost covered a five-year period, derived from a study done by Public Works.

He went on to say that with this type of unit dealing in small areas, the department came up with a figure of savings---\$4,036,800--over the five-year period. This figure is based on airport construction. He added that any one of the programs he has talked about can be picked up and set into any regional area of Alaska.

Representative Hohman asked if there had yet been any problem with labor unions or Alaska General Contractors. Representative Swanson said that no one had come to him in that capacity regarding the bills although there had been quite an amount of newspaper coverage which provided the public with the information on the bills. Mr. Matlock of the Department of Highways later testified that his department had had no contact regarding the subject with AGC either. He did say that they might object as a matter of principle, but he thought they would not get really "worked up" over these small and difficult jobs. Mr. Dwyre said he did not anticipate any problems from AGC as long as this proposal did not extend into heavy construction. He stated that all that was proposed here is relatively small-sized and stays within the concept of maintenance and betterment. He added that they would be ill-advised to take on projects of one or two million dollars which could be let to contract at a more reasonable figure. Mr. Dwyre stated that the major rationale of this proposal is that there is a lot of small work that cannot be done by large contractors due to the "in-and-out" or mobilization cost.

Mr. Hohman asked if Crooked Creek presently has an airfield. Representative Swanson said that there was a hand-made airfield there which a pilot of a one-seater plane used.

Representative Haugen asked for the population of Crooked Creek. Mr. Swanson said there were 25 houses there, and probably 30 youngsters. He thought it was comparable to little Russian Mission in size but emphasized that there is no way to put on a contract basis an airfield in any small place like that.

Mr. Hohman asked Mr. Dwyre if the Crooked Creek project fell within the small project category. Mr. Dwyre answered yes. Mr. Hohman then asked if Mr. Dwyre felt it would be outside any dispute with AGC; Mr. Dwyre replied he believed so. The Chairman then asked if the project was small due to cost or betterment; Mr. Dwyre said probably both. He said there was primarily light grading involved, not large volumes of earth work.

Mr. Hohman then asked the Deputy Commissioner if he was familiar with present construction going on in other communities such as Kipnik. Mr. Dwyre said no, he was not. Mr. Hohman wondered if that area would be placed in the same category as the Crooked Creek construction, but mentioned

that the Kipnik area had either design or engineering problems while Crooked Creek and the other proposed areas already had good materials in the area and goodbases.

Mr. Dwyre said that the only possible time when the equipment might be used on other work is for state construction when it must be completed in one year and the thermal balance and tundra break-up must be allowed to stabilize before going on to stage two; he said some preliminary work could be done at proposed airfield sites which would include soil exploration, etc.

Representative Degnan asked at what cost level they would draw the line when distinguishing between a project to be let to contract and a job to be done under the constructional service unit. Mr. Dwyre said they would have to map out a program to make up a maximum efficiency use of equipment. He doubted that they would ever undertake any work at one site which would come to more than \$250,000 worth of work or possibly even \$100,000 worth. Chairman Hohman asked if that would be true even if the work were done in stages. Mr. Dwyre said yes, and explained that most of the stage work involves some clearing or grading; subsequent work would be a fill operation and the type of equipment set up would not generally lend itself to building large fills.

Representative Fink requested seven copies of "An Alaskan Community Request Study for the Development of an Airport Priority System". Mr. Dwyre said he would make them available and added that this was simply a working document within their department and asked that it remain confidential.

Representative Fink then read some population statistics from the document: Crooked Creek's village population is 59 while the total environs list 103. The Russia Mission village figure is 94; the "metropolitan" area is 100.

Representative Haugen asked about accessibility to the airports. Representative Swanson said there would be roads connecting the airport to post offices and schools.

Mr. Matlock said the Department of Highways has been working with the Department of Public Works in an attempt to co-ordinate all projects within that part of the country. He said his department feels that this concept is one that has a goddeal of merit for small projects.

Mr. Matlock said they could buy equipment and go for a salvage value once the projects were completed. He said they

were not advocating spending any more money, but the problem of logistics in outlying areas is a tremendous one which prevents development there. He said the Department of Highways does not have as good a set of figures on the cost of mobilization as does Public Works, and they have not attempted to check the figures from the Department of Public Works on a possible savings.

Representative Swanson said another benefit of this proposal was that only a minimum amount of personnel would accompany the equipment, and when they moved from project to project, the situation would lend itself to employment on a local basis.

Representative Whittaker then spoke in favor of the bill. He said it would even apply to Southeast Alaska in certain villages. In response to Representative Haugen, Mr. Whittaker said there is an equipment pool through the Southeast Alaska State Community Action Program, but there is a problem of mobilization due to lack of barges.

Representative Swanson said the ownership of the equipment relating to HOUSE BILL NO. 564 should be with the Department of Public Works because they work with the Departments of Highways and Education, etc. He stressed the fact that the intent should be to put the equipment into Public Works and put in the initial units of the Kobuk, Kuskokwim, Yukon and Rim regions.

In conclusion Mr. Swanson said that he had built this idea around the need in remote areas but was not trying to exclude any other regions at all.

BILL  
ASSIGNMENT  
HB 521

The following bills were assigned:

HB 521 (Appropriating to Local Affairs Agency for mapping and appraisal work in the unorganized borough) - Rep. Hohman

HB 742

HB 742 (Establishment of footpaths and trails along highways and streets) - Rep. Hohman

HCR 47

HCR 47 (Construction of foot/bicycle trails and paths) - Rep. Hohman

HCR 46

HJR 46 (State assisting local governments in developing mass transportation systems) - Rep. Haugen

SB 289

SB 289 (Filing of consolidated corporation income tax returns) - Rep. Haugen

RECESS

The meeting recessed at 9:40 a.m.

HOUSE FINANCE COMMITTEE

March 29, 1972

8:45 a.m.

PRESENT Representative Wright was absent. Joseph Henri, Commissioner, Department of Administration, Warren Endicott, Director of the Division of Data Processing, and Mike Wheeler, Deputy Director of Data Processing were also present.

Chairman Hohman called the meeting to order.

HB 696 The subject of discussion was HOUSE BILL NO. 696 ("An Act relating to state data processing activities and facilities).

Commissioner Henri stated that HB 696 gives statutory authority to what the Department of Administration is trying to do today with Data Processing. He said there was nothing in the state statutes which acknowledges that they have Data Processing; former Governor Walter Hickel handed down an executive order that put Data Processing in the Department of Administration. Commissioner Henri felt there was a duplication of effort which meant extra expenditure of money. He went on to say that Data Processing people have their own fields of endeavor, and are not under any centralized screening.

The Commissioner said the machinery must be used advantageously; they wanted to get the most out of the people in that field and the most out of the dollars which the Legislature gives for those purposes. He said he had heard that Data Processing should not be centralized because the Legislature will cut off funds, but the Commissioner felt that Data Processing has the ability to stand on its own feet. This bill would help, and would give the Department of Administration the authority for the first time to work with other departments.

Mr. Endicott said there is a tendency within the state for people to develop their own computer systems. He added that it is very difficult to keep track of what is going on under the present situation, particularly since two departments are producing their own vacancy reports. Mr. Endicott said it was necessary to come up with a long range plan, but it was hard to know what the other departments are planning until the Department of Administration received the consultant's reports.

Mr. Wheeler said that occasionally one agency which receives federal funding as well will have some plan for Data Processing services and will go ahead and develop this by using their own staff and then get federal money. Then they will request 500 hours of computer time from the Department of Administration. Mr. Wheeler said that if the Division of Data Processing cannot implement their plan for that year, then the agency must delay the program, or go to a private service bureau. or get their

own equipment. He said this bill will allow both Mr. Wheeler and Mr. Endicott to review departments' data processing requests which will go into the budget request. The Division of Data Processing will make recommendations and can plan for implementation.

Representative Fink asked what departments had their own data processing equipment and staffs. Mr. Endicott replied the Department of Labor and the University of Alaska.

Representative Haugen made reference to data processing in the Department of Highways. Mr. Endicott explained that the Department of Administration supports them. Although Highways has a terminal, it is tied to the Department of Administration's. Mr. Endicott said that several departments have their own Data Processing staffs: Health & Social Services; Highways; Fish & Game; Revenue; and Education.

Representative Fink asked if under the bill the Department of Administration assumes other agencies will give up their Data Processing staffs and then the Department of Administration will do it all. Mr. Endicott said he would like to think they could bring certain staffs together.

Mr. Fink then asked about the Judicial and Executive branches of government and how much work was done for them. Mr. Henri said they spend a great deal of time doing all of the Judicial branch's work now. He added that the Judicial branch would require a system similar to what the Department of Administration has in Anchorage to get all their work done. Mr. Endicott said that it would cost \$120,000 to \$150,000 per year to keep a machine going for that purpose.

Representative Fink asked if the Department of Labor or the University of Alaska would resist the bill. Mr. Endicott said Mr. Clarence Erickson of the Judicial branch had some objections. He stated that the Department of Administration feels a case should be made to show why the Department of Labor and the University of Alaska are not with centralized Data Processing.

Mr. Fink then referred to Section (e) of the bill which refers only to the Executive branch. Commissioner Henri said the Declaration of Purpose section mentions the three branches of government. Representative Fink then said no one can tell the Judicial or Legislative branches to hire or fire their staffs with regard to data processing. Representative Fink stated that as he read Section (e) the Commissioner of Administration may allow other departments to have data processing and personnel, but will not allow Judicial or Legislative branches to have personnel. Commissioner Henri admitted that they have no right to tell either branch that "they have no right". He added that they are doing a great deal of data processing work for the courts now, such as jury selection, the land recording (where each transaction is indexed three separate ways), and automatic payment of jurors. He said the courts have even more plans for data processing work.

Mr. Endicott said they were involved in the AJIS (Alaska Justice Information Service) development.

Representative Fink asked if the Department of Administration charged the courts for work done. Commissioner Henri said they send them a memorandum billing which lists the amount the courts would pay if they were paying. Mr. Fink then asked if there were any interagency charges. Mr. Henri said no, that it was all in the Administration budget. Mr. Fink asked why there were no charges. Mr. Endicott explained that under the Division of Data Processing's original concept, they would charge. He then gave an example of AJIS needing \$200,000 worth of support; the Department of Administration's budget would reflect this amount, and the money would be given to AJIS. But if the program for data processing did not progress as planned, and the Department of Administration sees, in July, that they have provided only \$50,000 worth of computer time for AJIS, they cannot balance their books, and AJIS will refuse to pay the remainder because the Department of Administration did not offer them total service.

Mr. Wheeler stated that these programs are essential, and they presently do not have the authority to review the systems to get a realistic cost for running them. Representative Fink said if the Department of Administration didn't charge, their department would be "run ragged". Commissioner Henri said that is true. Programs of activities for that year are sent to the Department of Administration for their comments, but the department's plan is already arranged in advance after it finds out what the Legislature has budgeted for the purpose.

Mr. Endicott stated that the University of Alaska pays as much as the Department of Administration does today for their computer. Representative Haugen said the state should have a center and provide service which various agencies need in one area.

Mr. Endicott said departments won't complain about time or machines this year. The Department of Administration just asks to go ahead with good central support. Commissioner Henri said they have made many reforms and changes, and Mr. Endicott and Mr. Wheeler run Data Processing like a business operation. He said they took one operation off the machines because it was unyielding and could be done just as quickly by hand.

Representative Warwick asked why they needed the bill; why did didn't the department just go ahead and do it. Mr. Henri said he thought there was no question that it would be a tremendous help for everyone to know that the Legislature had had adopted this as a policy. Mr. Endicott said the majority of states have similar legislation; the state of Washington has a similar bill although they are organized differently.

Representative Warwick asked if the Department of Administration wanted to control the machine at the University of Alaska. Mr. Endicott said no but added that the department does provide them with support of their technical people. Commissioner Henri said they could be of mutual assistance to the University.

Representative Warwick then asked what the University used their computer for. Mr. Endicott said they use it for their payroll, scientific work and student training. He added that it appears that the University maintains good utilization of the computer although it is possible to do three jobs at one time or just one job, and the utilization would appear the same. He said their utilization runs three shifts for five days a week.

Representative Warwick then asked how many installations the state has. Mr. Endicott said two. Commissioner Henri said they made a deal with the Department of Highways; the Department of Administration is provided with new space rent-free in the new Tudor Road facility for Highways in exchange for use of the computer in that building by the Department of Highways.

Representative Warwick asked what type of computer was used. Mr. Endicott replied an IBM 360, Model 40, which is also the same model used by the University and the Department of Labor. Mr. Warwick asked why the Department of Labor had their own machine. Mr. Endicott said the Department of Administration wanted to know too. He added that the Department of Labor was 100 per cent federally funded; the machine in the Department of Administration was equal to that of the Department of Labor, and for 1/4 additional cost of hardware, Administration could replace their hardware and no staff would have to run it. He said they want the Department of Labor as a central part because it will eventually make more resources available to everyone.

Commissioner Henri mentioned that space had already been allocated for the Department of Administration and Data Processing in the new office building under construction.

Representative Ditman asked if there was a connection with this bill and the one the Judiciary Committee is listening to.

(HB 753 - Protecting the constitutional right of privacy of those individuals concerning whom records are maintained by governmental agencies.) Commissioner Henri said no; these machines would hold that data, but there was no direct connection. Mr. Endicott said that HB 753 asks that they have their own facilities and equipment, which could mean a computer, but it also allows that any commission they establish could use a central facility.

Mention was made of LEAA funds; Commissioner Henri said that those funds may get a project started, but then would not continue funding which meant the state would have to support it.

Mr. Endicott said anyone could have their own computer system under this bill, but they must come to the Department of

Administration and show why they need it; if it is not necessary then Administration shows their side of the case. He added that the Department of Public Safety wants to come in on the program.

Representative Ditman asked if HB 753 (AJIS security) would allow them to get their own computer. Mr. Endicott said yes, but it would not preclude them from using the central facility.

Representative Hohman asked what amount was in the budget last year (he was referring to data or information retrieval done by data processing). Commissioner Henri said he thought the amount was \$96,000. Mr. Endicott said he believed it was \$153,000. Chairman Hohman then asked where the amount was shown in the budget. Mr. Endicott replied the Department of Public Safety.

Chairman Hohman then asked the Commissioner if there was any problem in responding to several requests the Finance Committee had made previously. Commissioner Henri said no, and will try to get the information to the committee today.

Commissioner Henri, Mr. Endicott, and Mr. Wheeler left the meeting.

HB 696

The Chair entertained a motion on HB 696. Representative Warwick moved that HB 696 be passed out of committee by unanimous consent with a "do-pass" recommendation. Representative Fink objected. He said Section (e) of the bill is not clear; a provision must be made for the Judicial and Legislative branches. He added that the purpose of the bill is to cover all three branches, but actually it covers only the Executive branch of governments. Representative Warwick then moved that his previous motion be amended to include Mr. Fink's amendment. (After "processing activities." add a new sentence to read: "Nothing in this section precludes the legislature or judicial system from recruiting and employing data processing personnel or from obtaining necessary contractual assistance for automatic data processing activities." )

There being no objection, HB 696am was passed as amended from committee with a "do-pass" recommendation. Representative Ditman signed the Committee Report "no recommendation".

HB 260

HOUSE BILL NO. 260 ("An Act increasing the per diem compensation for members of the Alaska Commission on the Status of Women; and providing for an effective date") came up for discussion.

Mr. Hohman read a letter from Warren Wiley of the Governor's office which stated that commission members receive the per diem of State employees rather than board members. Under the proposed

legislation, members would receive the same per diem as other Board and commission members (\$35 per day), but would be limited to two meetings per year.

With 11 members serving on the commission at two meetings per year lasting four days each, per diem would total about \$3,080. Transportation (Based on round trip air fares of about \$150) would equal a total of \$3,300.

Representative Warwick then moved and asked unanimous consent for "do-pass" on HB 260.

Chairman Hohman amended HB 260 to carry an effective date of July 1, 1972 (rather than July 1, 1971).

There being no objection, HB 260am passed from committee with a "do-pass" recommendation. Representative Fink signed the Committee Report "do not pass"; Representative Ditman signed the report "no recommendation".

HB 504

HOUSE BILL NO. 504 ("An Act making supplemental appropriations to the Department of Health and Social Services; and providing for an effective date.") came up for discussion.

CSHB 504 appropriates \$4,914,200 to the Department of Health and Social Services. (The original bill had a total supplemental appropriation of \$6,637,100).

Those areas remaining the same throughout the revisions are Public Health (\$147,000), Mental Health (\$83,500) and Corrections (\$300,000).

Due to federal reimbursement funds, Health and Social Services anticipates \$2,016,500. This figure has been approved by Budget and Management and will be coming before the Budget & Audit Committee next week, therefore several sections which would have been supplemented under the original bill have been omitted: Administration (\$384,000), Aid to Families with Dependent Children(\$1,521,600) and part of Adult Public Assistance (\$110,500). The present total under CSHB 504 in Family Services is now \$4,383,000 as opposed to \$6,105,900 in the original bill. The allocation for Food Stamps rose from \$206,400 to \$500,000; the amount for the General Fund was cut from \$4,869,200 to \$4,256,400. Federal Program Receipts dropped from \$1,767,900 to \$657,800.

Representative Ditman asked what percentage of the supplemental is already committed. Mr. Vernon replied that there was quite a heavy commitment in General Relief, Mental Health, Corrections, and Adult Public Assistance.

Mr. Degnan asked for the amount allotted to personnel. Mr. Vernon replied \$290,300 but added that the Department of Administration has more than they need to meet salary adjustments.

Representative Warwick moved to amend the amount to 1/2 of the last request. Mr. Fink said that \$206,400 was all that was needed for food stamps. Mr. Warwick said the lack of personnel to administer food stamps would cause the program to fail. Mr. Vernon said the food stamps would be going through the post offices soon.

Representative Degnan moved that CSHB 504 pass from committee. He asked unanimous consent for a "do-pass". Mr. Fink objected and asked that the amount of \$500,000 for food stamps be amended to \$206,400. Chairman Hohman objected. He then asked for all those in favor of the amendment to raise their hands. Representatives Fink, Warwick and Haugen supported it. Representatives Hohman, Ditman and Degnan were opposed. Representative Warwick then moved that the General Fund figures be amended to read \$2,128,200 and an adjustment be made in the other figures to reflect the change.

Representative Degnan objected. Mr. Ditman then asked Mr. Warwick where the adjustments could be made. He replied that they could be made in Public Health, Mental Health, Corrections and Family Services. Chairman Hohman asked for all those in favor of the amendment to reduce the General Fund by 50 per cent. Representatives Ditman, Degnan, and Hohman were opposed. Mr. Hohman then stated that the motion before the committee was to pass out CSHB 504 appropriating \$4,914,200 with individual recommendations. He asked for all those in favor of passing CSHB 504 out of committee. Those opposed were Representatives Haugen, Fink, and Warwick. Representatives Ditman, Degnan, and Hohman voted that it do pass.

Representative Hohman stated the bill would remain in the subcommittee for lack of required four votes in any category.

HJR 107

HOUSE JOINT RESOLUTION 107 (Urging the adoption of special fares for retired persons by all airlines in Alaska and the Marine Highway System) came up for discussion.

Representative Warwick moved and asked unanimous consent for "do-pass". Representative Fink objected, and asked if Commissioner Easley of Public Works had not testified against it. Representative Degnan said that he had, but had changed his mind.

Chairman Hohman asked for all those in favor of Representative Warwick's motion.

HJR 107 passed out of committee with a "do-pass" recommendation. Representative Fink signed the Committee Report "No recommendation".

RECESS

The meeting recessed at 10:05 a.m.

AFTER RECESS

1:45 p.m.

Present: All members except Mr. Wright. Representative Mike Miller was also present. From the Department of Education, Commissioner Lind, Mr. Cole and Mr. Ridle were also present.

CS

HB 457

Chairman Hohman called the meeting to order and said the committee would hear testimony from Representative Mike Miller on HWE Committee Substitute for House Bill No. 457 (providing incentives for continuous year-round school programs).

Mr. Miller said he felt the bill speaks for itself. He felt there is a big waste because they continue to build schools while they sit idle for at least one-fourth of the year. This bill gives consent to the school districts to correct this. Mr. Miller said this would, in fact, cost something but he felt because of the tax avoidance this would be a relatively small amount. This bill sets up a three stage operation. The first stage is a feasibility study operated on a local basis but under the jurisdiction of the Department of Education. Mr. Miller said the figure they are "kicking around" is \$200,000. For Anchorage this feasibility study may cost more and for Petersburg it might well be way under this amount.

Mr. Miller continued that for the next three years the school district would compute their ordinary entitlement under the foundation program and they would get an additional 5% in the form of an incentive. Mr. Miller said he felt the use of the term "incentive" was "not quite right because there is additional costs". An additional 5% to 10% would be given to the district operating on a continuous year round basis. Mr. Miller said there is a good chance that some districts would never go over 5% but it had been their feeling a safety valve should be included so if they did run over 5% it would be covered.

Mr. Miller said it might be that a year round school at Petersburg may not be feasible. The whole idea of the bill is to avoid building schools whenever possible. Mr. Miller said any district which went into this would "automatically get 33 1/3% more plant that they have at the present moment". This

should be left up to the individual district.

Mr. Miller explained the simplest approach would be to divide the district into five groups -- four groups would be in school and the other group would be on vacation. Another option, Mr. Miller said, which has been very successful is the 45/15 plan. This would be where students go to school 45 school days and then have three weeks off. So at any one time 4/5ths of the students would be in school while the other 1/5th would be on vacation. He felt this plan could be highly popular in Alaska.

Mr. Wright entered the meeting.

The 45/15 plan was discussed. Mr. Miller said there are places where this has not worked but he felt the reasons for this could be corrected in Alaska. He added that the Anchorage School District is currently studying this.

Mr. Fink said he felt this idea should be explored; he felt they should make matching money available but should not try to set up percentages at this stage of the game. Mr. Miller felt that once they have some experience the percentage can be adjusted. Mr. Miller said his feeling is that the longer they wait the more these will lose because more school buildings will have to be constructed.

Mr. Wright spoke on the year round concept. He said history has shown that this will work in a warm climate but he did not know if it would work in an area with extreme temperatures. Mr. Wright felt this is something which would have to go on the ballot and added that personally he thought it would be voted down. He also felt it was a false premise that this would save money. He felt that the only way this could work is if it was mandatory.

Mr. Joe LaRocca entered the meeting.

Mr. Miller brought up another point by saying that when the construction of the pipeline start there will be a tremendous influx of people and a need for more schools. Once the pipeline is finished these people will leave. He felt the year round approach would certainly help this situation.

Mr. Miller said he thought the legislature should appropriate \$200,000 for the Commissioner of Education to get specific answers and that possibly Anchorage could

be set up as a model. The feasibility study could show if it is practical for all of the state.

Mr. Wright said that he would like to see some portion of support from the districts.

Commissioner Lind said that Mr. Thomas had done an analysis on this concept. It is their feeling if this is being sold on the basis of saving money this is the wrong approach. They did not think it would save that much in construction. Commissioner Lind said that they did not feel this would work in some of the smaller districts because they would not have workable units.

Commissioner Lind said he felt they did need to break out of the "180 day box". He said he felt the 45/15 approach makes sense. Anchorage has looked at this in depth but how many schools would get involved would be hard to say, he added. He agreed there should be a factor involved which would encourage or mandate local contributions. Commissioner Lind added that this is a good piece of legislation and the State Board has gone on record as supporting this concept. Commissioner Lind said this approach is educationally sound. Commissioner Lind said they had tried to work up fiscal data and in order to do this they had to make a number of assumptions. They put \$125,000 for planning for FY 73, he added. Mr. Hohman asked if the Department was endorsing the concept and need for the bill. Commissioner Lind said yes. Mr. Fink added that this would not necessarily mean the language. Commissioner Lind said this is right, particularly with reference to the part that would involve local participation. He felt instead of a fixed amount the amount should be determined by the Department.

SSHB 706

Mrs. Carolyn Guess had entered the meeting and the committee went into a discussion on Sponsor Substitute for House Bill No. 706 (an act appropriating to the Department of Education). Commissioner Lind said this bill is a result of concerns for the profoundly deaf in the state. In the past they have been unable to provide services within the state for these students. Most of these students had to go outside of Alaska or be absorbed by the Anchorage district. He requested that Mr. Cole explain the fiscal note on this bill. Mr. Cole said this had been discussed with the Director of Special Education and they had come up with a cost of \$4,300 per student. He added that if this is compared with sending these students out of state it would cost more to send them out as this is \$6,000 per student. The fiscal note indicated there would be an

estimate of 85 students at \$4,300 per student for a total of \$365,500. Mr. Cole said the 85 figure had come from a "survey of some sort" and it comes from "project information from various people who think this is how many there might be". Mr. Cole said out of the \$4,300 there is \$2,000 for actual room and board. They are now paying in their boarding homes \$1,000 per student under the foundation program and \$500 in tuition. So they took this amount increased it a "little bit" because these students would need extra care and then added another \$300 for round trip transportation.

Mr. Fink pointed out that under existing law they could do what this bill says. Mr. Cole said this is correct but there is not enough money. Mr. Fink asked if they were servicing any of these students inside the state. Mr. Cole said no.

The \$4,300 figure was discussed. Mr. Wright said he did not believe this was a true cost. In answer to Mr. Wright, Dr. Lind said these students would be provided with foster home care. Mr. Wright said he did not feel that using foster home care would be a very good situation.

Mr. Fink questioned the number of 85 students. Mr. Cole said he was not aware of 85 students but their consultants "worked on this to get those kinds of potential". Dr. Lind said they feel "comfortable" with this figure.

Mr. Fink asked whether there would be federal money available for this program. Mr. Cole said the only federal money he was aware of was under Title VI. The state receives around \$150,000 but this includes all types of handicaps.

The committee discussed the problems of foster home care.

Mrs. Guess spoke in support of the bill. She pointed out that this does not effect the Alaska Treatment Center. This centralized program would ensure that these children now being serviced can continue their education in Alaska.

Mrs. Guess said at the Treatment Center they have had good results with the foster homes. They provide special education for the parents of the profoundly

deaf as well as the foster parents. Mrs. Guess said it may be that some parents who are at the present time not allowing their children to go outside will be more willing to trust the foster parents and thus allow their children to participate in the program. Mrs. Guess said they supported this bill. She said it would not be a true benefit to the Center's youngsters but would benefit them by enabling them to stay in a program in a specific area.

Recess: The committee recessed at 3:00 p.m.

AFTER RECESS

5:30 p.m.

Present: All members except Mr. Haugen.

HB 593 Chairman Hohman called the meeting to order and said the committee would consider HOUSE BILL NO. 593 (an act making supplemental appropriation to the Department of Natural Resources). This is filing fees for the state's recent land selection. Mr. Fink moved and asked unanimous consent that HOUSE BILL NO. 593 pass from committee with a "do pass" recommendation. No objection, so ordered.

HB 549 The committee then considered HOUSE BILL NO. 549 (an act providing for tuition grants to students within an institution of higher education in Alaska). The Chairman moved that the bill be reported out with individual recommendations. There were two "do passes" (Mr. Hohman, Mr. Degnan), 1 "no recommendation" (Mr. Wright), 3 "do not pass" (Mr. Fink, Mr. Warwick and Mr. Ditman). As there were insufficient votes in any category to pass the bill from the committee, the bill was returned to file.

ADJOURN Meeting adjourned at 5:45 p.m.

HOUSE FINANCE COMMITTEE

March 30, 1972

9:30 a.m.

Present: All members except Mr. Degnan and Mr. Warwick.

HB 771 Chairman Hohman called the meeting to order. He moved and asked unanimous consent that the committee consider a bill "appropriating to the University of Alaska". This bill had been introduced by the Rules Committee by request of the Legislative Council. The bill appropriated \$1,950,000 to the University of Alaska to implement the Memorandum of Understanding between the Board of Regents of the University and the Board of Trustees of Alaska Methodist University for the conveyance by the Board of Trustees of AMU of certain parcels of real property in Anchorage to the Board of Regents.

Mr. Fink moved and asked unanimous consent that this bill (WHICH LATER BECAME HB 771) be passed from committee with individual recommendations. There were 4 "do pass" and 1 "no recommendation" vote. (Mr. Ditman voting "no recommendation").

Recess: The committee recessed at 9:45 a.m.

AFTER RECESS

11:15 a.m.

Present: All members except Mr. Degnan and Mr. Warwick. Representative Bowman was also present.

HB 334 Chairman Hohman called the meeting to order and the committee considered HOUSE BILL NO. 334 (an act relating to revenue sharing with local governments for providing certain mass transit facilities or services). Mr. Fink said that Anchorage would get \$20 per capita under this bill as opposed to \$5. The committee interpreted the reading of the bill to mean \$5 for each small boat harbor, port, or airport.

Mr. Warwick entered the meeting.

The committee discussed the fiscal note provided for this bill. It referred to a worksheet which was not in the bill file and Mr. Hohman requested that Mr. Charney be asked to testify before the committee on this. (A phone call to Mr. Charney's office indicated he was not available but would discuss this at 1:30 p.m.)

Mr. Guess entered the meeting.

Mr. Haugen asked how this related to the federal highway fund. Mr. Guess said there are about 12 proposals on this and they are presently studying them. He said where Alaska would get hit would be if the formula is based on a population basis as opposed to a land basis. This was briefly discussed.

Mr. Wright suggested amending the bill to say where there is a city and borough authority this will apply to the area wide authority. Mr. Fink also suggested that this could read \$5 per capita for people serviced by the facility. Mr. Wright felt this amendment would create more of a problem. After a brief discussion,

Recess: the committee recessed at 11:40 a.m.

AFTER RECESS

1:50 p.m.

Present: All members except Mr. Degnan. From the Department of Administration, Commissioner Henri, Deputy Commissioner Freer, Mr. Charney, Mr. Smith, Mr. Hunt and Miss Hackwood were also present. Joe LaRocca, news reporter, was also in attendance.

HB 334 Chairman Hohman called the meeting to order and the committee discussed HOUSE BILL NO. 334 (an act relating to revenue sharing with local governments for providing certain mass transit facilities or services). The worksheet on the fiscal note which had been requested from Mr. Charney was distributed to the members.

Mr. Fink said that the committee had interpreted the bill to read that a community would receive \$5 per capita for each boat harbor they would have. Mr. Charney said he realized this could be interpreted that way; however, they considered only one payment per type of facility. The amount would be the same regardless of whether a community had one or five boat harbors.

Discussion followed on what it costs to operate the boat harbors in Juneau. Mr. Henri said that Juneau had raised the fees recently and are now on a "break even" basis. Mr. Warwick then asked what would be the purpose of the revenue sharing. Mr. Henri said there is a lot of minor maintenance and the harbor masters have to be paid. Mr. Warwick asked about Juneau's port and Mr. Henri said that Juneau "loses its shirt" on its port.

Joe LaRocca left the meeting.

HB 335 The committee discussed HB 335 (an act relating to powers of a city or borough to provide mass transportation facilities and services).

Mr. Charney pointed out this fiscal note applies only to HB 334. Mr. Charney said if Anchorage implemented a mass transit system, \$240,000 would be added to their revenue sharing under this bill. Mr. Wright asked if the City and Borough would be entitled to this. Mr. Charney said that both the City and Borough would not receive this. It would be paid to the unit providing the service. Mr. Fink asked if the administration supported this bill. Mr. Henri said no. The committee requested a fiscal note on HB 335. They then went into a discussion on the budget for the Department of Administration (see budget minutes).

HOUSE FINANCE COMMITTEE

March 31, 1972

8:55 a.m.

PRESENT All members except Representatives Wright and Degnan. Mr. David Hickock, from the University of Alaska; Mr. Lowell Wakefield, U. of A. Sea-Grant Program; and Mr. Robert Goldberg, a Resources Attorney, were also present.

Chairman Hohman called the meeting to order and made the following bill assignments:

HB 441 HB 441 (Relating to state support for vocational education) -- Mr. Wright

HB 489 HB 489 (Relating to state aid for tourism) -- Mr. Degnan

HB 537 HB 537 (Relating to teacher's retirement salaries) -- Mr. Fink

HB 717 HB 717 (Appropriation of \$200,000 to office of comprehensive health planning) -- Mr. Wright

HCR 52 HCR 52 (Accessibility and usability of buildings and facilities at U. of A. by physically handicapped students) -- Mr. Wright

HCR 55 HCR 55 (Relating to student placement services at the U. of A.) --Mr. Warwick

CSSB 330 CSSB 330 (Relating to liquor licenses at certain airport terminals) -- Mr. Hohman

HB 370 Chairman Hohman said that HOUSE BILL NO. 370 (An Act appropriating to the University of Alaska) which would establish an arctic environmental and data center, would be under discussion.

Mr. Hickock said he had been working on this project since 1967. At that time he was the Natural Resources Officer for the Federal Field Committee, and he experienced a mad rush from the oil industry for information on the arctic. He said that there had been concurrence from the state and federal governments along with the oil, fishing and logging industries to explore the possibilities of a central location for environmental, scientific and natural resource information. He said that he left the federal government employment and went to the University of Alaska. Since that time he has been trying to secure money to establish this.

Mr. Hickock said the Ford Foundation and the National Science Foundation have both promised money if he can get seed money. He said that the oil industry has also promised to put up some money if the seed money is available.

Mr. Hickock said it would be an automatic data processing and retrieval of information. He said that today the same things are happening that happened in the early days of development at Prudhoe Bay and the pipeline. He stated there are new groups involved with federal planning trying to find information. It is Mr. Hickock's conviction that they can stop a lot of conflict with a little truth located in one place that is available to everyone.

Mr. Hickock noted that BLM is devising a small data bank at the moment, but they have said it won't be available to the public. Mr. Hickock thinks the public, the legislature, and the industry has a great need for an information and retrieval center. He noted that the Native people haven't a source of information to go to when they make their land selections.

Mr. Hickock was sure that with money from the legislature that he could develop additional money. He said that many people wanted to develop such a center outside of Alaska--for example in Washington D.C. He said there is a need for a center located in Alaska and for Alaskans.

Mr. Hickock pointed out that this bill was not acted on directly by the Board of Regents and was not included in the University Budget.

Mr. Fink noted that the fiscal note said it was \$100,000 for the first year. Mr. Hickock said it would take \$100,000 to get them started. He said that they couldn't spend \$200,000 profitably during the first year.

Mr. Fink asked whether HOUSE BILL NO. 696 (An Act relating to State data processing activities and facilities) had any bearing on this bill. Mr. Hickock stated that the kind of information he was talking about wouldn't be at all compatible with the administrative data, so that actually it would have no effect.

Mr. Hickock said that the center they are proposing would incorporate all existing data and stored information from other facilities and tie it in with a subscription system. Mr. Hickock said the facility would be located in Anchorage. His approach would be to hire information specialists.

Mr. Warwick asked how much money would be needed a year. Mr. Hickock replied they would need a minimum of \$100,000 to \$300,000 and they would have to work in a subscription to finance the rest. He stated that after the center got working it would take \$500,000 a year.

Mr. Hickock said the fiscal note was a minimal developmental budget, but he said they would go after more federal money certainly by the third year.

Mr. Haugen asked if this would tie into the Marine Science Center and Sea Grant. Mr. Hickock said they were administering both of those at the moment.

Mr. Hohman said they had back-up material to indicate \$200,000 was required to activate this project. Mr. Hickock said that was originally the figure he had given. He stated there have been developments so that he doesn't think that much is needed.

Mr. Fink moved that they pass out a Committee Substitute which would change the amount to \$100,000 and provide that the appropriation carries through until the end of the next fiscal year. The motion carried five to two with Mr. Haugen and Mr. Warwick voting no recommendation.

RECESS

Meeting recessed at 9:30 a.m.

AFTER RECESS

9:35 a.m.

PRESENT All members. Mr. David Hickcock, from the University of Alaska; Mr. Lowell Wakefield, U. of A. Sea-Grant Program; and Mr. Robert Goldberg, a Resources Attorney, were also present.

HB 718 Chairman Hohman called the meeting back to order and said that HOUSE BILL NO. 718 (An Act creating the Commission on the Conference of the Law of the Sea) would be under discussion.

Mr. Hickcock said they had one main interest in this legislation. He said it was his firm belief that Alaska has a great deal of resources at stake. He said that they should develop proper forums for discussion on the subject. He has been working to these ends since last summer and fall. He has had continuing correspondence with the Attorney General. He said that Mr. Wakefield has been quite involved in the development of the U.S. position for the Conference on the Law of the Sea. He asked Mr. Goldberg to give some background information.

Mr. Goldberg gave background on the question of the Law of the Sea as related to HB 718. He said he had prepared a couple of pages of information and proposals of statements which would be passed out to the Committee.

Mr. Goldberg explained that when talking about the Law of the Sea he was talking about four conventions. He briefly went over the prior conventions and what had been decided at them.

Mr. Goldberg reminded them that Alaska has a very substantial part of the continental shelf of the U.S. and would be included in any developments along the shelf. He said that he was concerned. He said that Alaska was also one of the interests in the Sea Bed Decision.

Mr. Goldberg noted that other coastal states are not very well organized at this point. He feels there is a need in Alaska to sit down and assess the impact for Alaska. He pointed out that Alaska has a great deal to gain or lose at the Geneva Conference. He added that nothing might come out of it. However, he said that at this time, Alaska is so far away from Washington that it is hard to keep on top of what is going on.

Mr. Hickcock asked Mr. Wakefield to report on what was going on at the U.N.

Mr. Wakefield said he was one of three Alaskans involved in advising Congressmen on what the State is doing. The other two men are Mr. Thorstonsen from Petersburg, and Mr. Clem Tillion. Mr. Wakefield is also on the State Department's Advisory Commission for Law of the Sea. He said he is the only Alaskan and one of the 12 members on the Committee from the U.S. who have been or are commercial fishermen.

Mr. Wakefield had just returned from a five week meeting with the Subcommittee on Law of the Sea. He said there were 91 members and they had accomplished practically nothing.

Mr. Wakefield wanted to throw the fishery thing into perspective. He said that everyone talks about how Alaska has half the continental shelf and that fishing is Alaska's most important industry. Mr. Wakefield said that over 90% of the fish harvested from that area is not by Americans, but by Russians, Japanese, Koreans, and Canadians. He said that they harvested 9 pounds of fish off the Alaskan coast for every 1 pound that Americans harvested. He said that if the fish were sold for a nickle a pound that would be \$500 million a year they are taking. He didn't feel that three Alaskans were able to keep the national government of the U.S. up-to-date on this matter. He felt that was the purpose of HB 718.

Mr. Wakefield said that with HB 718 they would have a center to put together an Alaskan position on Law of the Sea and multiply activity by 10 or 20 times. He said that Alaska has a big deal going here and that a lot of the other people have similiar interests. He felt that if a vote were taken in the U.N. that they would get a strong statement with 2/3 majority that would be agreeable to Alaska's position. The problem is simply that the U.S. and other major powers might not go along. In other words, Alaska could have a satisfactory resolution without it doing any good because the other guy would get protection, and Alaska wouldn't.

Mr. Wakefield said they needed Alaskan input now because the U.S. delegation is going to go to Geneva pretty well instructed on how far they can move. If Alaska wants to have an effect upon the U.S. position, they have to get going right now.

RECESS

Meeting recessed at 10:15 a.m.

AFTER RECESS  
5:00 p.m.

PRESENT All members except Representatives Ditman and Degnan. The following people were also present: Representative Carl Moses, Representative Mildred Banfield, Representative Mike Miller, and Mr. Ferguson from the Juneau-Douglas Community College. Mr. Joe LaRocca was sitting in.

HB 565 Chairman Hohman called the meeting to order and said that HOUSE BILL NO. 565 (Increasing the membership of the Board of Fish and Game) would be under discussion.

Mr. Moses, the sponsor of the bill, was present to testify. Mr. Moses said that the reason for the bill was to get wider geographical representation on the Board and to make it an odd member Board. He explained that in the past they have had difficulty getting geographical representation on the Board. He felt that it should be an odd numbered Board in order to have an independent Board. He added that the Commissioner of Fish and Game had to break the tie at the present time. He commented that the Commissioner of Fish and Game doesn't like the deal where he has to break the tie.

[Mr. Degnan arrives.]

There was brief discussion of the bill.

Mr. Wright moved that HB 565 be put out of Committee with a "Do Pass" recommendation. The motion carried 4:2 with Representative Haugen voting "Do Not Pass" and Representative Fink voting "No Recommendation".

Proposed  
J-D  
Community  
College  
Appropri-  
ation  
Bill

Chairman Hohman said they would go on to discuss a proposed bill entitled "An Act appropriating to the University of Alaska". He said that it related to the Juneau-Douglas Community College.

Mrs. Banfield was present to testify. She reminded them of the tragic fire which had burned the fifth street Building which housed the Downtown Campus of the Juneau Douglas Community College and the Offices of the Southeastern Regional Center and the Juneau Senior College. She said that this forced them to do something about the Community College at a much greater speed than had been anticipated. She said she had been discussing the problem with Mr. Ferguson and he had a proposal to offer the Committee. She said that she and Representative Miller would like to suggest that the Finance Committee introduce the proposed bill as a Finance Committee bill. She added that they could introduce it as a substitute for the Governor's bill.

Mr. Ferguson said that the Governor's bill allows less than what would be needed after the fire for the Mt. Jumbo facility. Mr. Ferguson gave the committees copies of the "Report on the Emergency Situation Caused by the Fifth Street Building Fire" (See page 429 of the minutes).

Mr. Wright asked if they were paying rent in the Fifth Street Building. Mr. Ferguson said they had been leasing the building from the Borough for \$1 a year. He said that Mt. Jumbo was also being leased from the Borough for \$1 a year.

Mr. Ferguson referred them to page 1 of the Report which explains the programs which were directly affected by the fire. Page 2 shows the Southeastern Regional Center and Juneau Senior College Programs directly affected by the fire. Page 3 gives enrollment statistics for Southeastern Regional Center Instructional units, and also goes into insurance coverage on the fifth street building.

Mr. Ferguson said that the actual loss cited in the report was about \$3700 more than actual loss. He said they had indication from adjusters that the insured loss was around \$60,000. He pointed out that negotiations had not been started yet.

Mr. Ferguson stated that after the fire, the programs moved in part to Mt. Jumbo, but they lost some students because of the distance.

Mr. Warwick asked where the Northern Commercial Property they proposed to purchase for relocation was located. Mr. Ferguson replied that it was right across from the High School. He said that one advantage was that it would generate high school foot traffic.

Mr. Ferguson pointed out that about 7,000 square feet in the Fifth Street Building had been leased to the Division of Personnel, so they had also lost this income.

He said that the Regional Center was completely wiped out and that they are now operating out of the Department of Education Conference Room.

He said that they had been able to salvage a minimal amount of records to save them from closing down. The programs, as far as the senior college is concerned, lost very little time since they need to use traditional type classrooms. Primarily, the problem is in the administrative office.

Mr. Fergerson said they don't have space for the Regional Center at Mt. Jumbo, and rent money wasn't included in this for next year's budget. He said that the Recreation Department was also using part of the Mt. Jumbo facility.

Mr. Miller stressed that the Mt. Jumbo facility is an old, old, old building which has been condemned for years. He said that it should have been demolished years ago, and that it should not be considered an acceptable alternate building.

Mr. Fergerson said that before the Borough would approve full utilization of Mt. Jumbo, they had had to make some repairs. He said that right now they had indication that NDTA would give them a small amount to relocate.

Mr. Wright asked if they were in full operation at Mt. Jumbo, and Mr. Fergerson said no because they didn't have enough space. He said they were having to limp along until they could get a new structure.

Mr. Degnan asked about the Auke Bay facility. Mr. Fergerson said it is operating at capacity and they have no vocational technical facilities out there.

Mrs. Banfield pointed out that the in-town facility is the Community College, while the Auke Bay facility is for the regular campus.

Mr. Wright questioned the amount of \$32,900 for additional operating expenses for FY 72 and FY 73 which is in the proposed bill. Mr. Fergerson said the \$32,900 was made up of costs incurred during the two weeks it took to relocate. He said there were about \$12,000 in personnel salaries which weren't covered under the programs these people were ordinarily funded under. He said that since the fire they were having to maintain a business office downtown in the Borough so the cost of relocating this will run at about \$3500 for the rest of this year. He said they weren't paying rent for that space and the money was for maintenance and operating cost. He stressed that it was an estimate at this point. He said the additional \$8,900 was for loss of rental monies from the Division of Personnel for the remainder of the year. He said the rest of the money would be to hire an additional half time bookkeeper secretary who would be required to handle the programs they have now if they want them to operate next year.

Mr. Wright asked if the Borough didn't have an obligation to the Community College. Mr. Fergerson said they were paying \$36,000 this year and were committed to \$47,000 for next year.

The total budget for the Community College will be some \$500,000+. Mr. Miller thought that the Juneau City Borough was putting in a good share.

Mr. Fink asked whether the University had taken any position on the proposed legislation. Mr. Fergerson said the legislation had not been reviewed, although he said that it contained the same information as was in the report.

Mr. Wright asked where the \$650,000 figure had come from. Mr. Fergerson said that it came from a letter from Northern Commercial to the Borough which indicated they would make the 5.77 acres available to an educational institution for that amount up until May 31.

Mrs. Banfield said it is an excellent buy. She thought it would be a good idea for them to look at it, and she added that some of the facilities on the property were useable right now.

Mr. Fergerson said that he had just received a report from a group from the University and an Architect who had gone in and taken a look at the property. Their figures for renovation were in excess of the estimates which had been made, but Mr. Fergerson said that they gave ranges depending upon short-range and long-range use.

Mr. Wright asked whether the Borough was prepared to pay part of the renovation of the Northern Commercial property. Mr. Wright thought that Juneau was getting more state dollars than any other state capitol.

Mr. Miller said that the Juneau Borough pays half as much as the Anchorage Borough and has only 1/10 the population. He pointed out that the Borough had allowed the college to lease part of its building to the Division of Personnel and use the rent money.

Mr. Fergerson said that their budget had been prepared with that rent money in it. Without that income, they will be that much in deficit. All they are asking is that during this period of relocation and establishment that this amount be provided for the remainder of this year.

Mr. Warwick said that before the fire the Borough was contributing space, but after the fire, they were contributing nothing.

Mr. Fergerson said they wouldn't be contributing the building, but they would continue to give income and support the programs.

Mrs. Banfield said they were also making available space at the high school and that this would continue into the future.

Mr. Warwick asked if they would still need the high school facility with the new facility. Mrs. Banfield said yes. Mr. Fergerson said that the new facility would be a technical facility which would provide labs for vocational programs. He explained that the high school also planned to expand its programs but would not expand in areas that the community college would provide, just as the community college would not duplicate what the high school could provide. Instead, they will use each other's and will each be able to have more programs.

Mr. Fink asked about the Governor's bill. Mr. Hohman said it was HB 764, but it didn't address itself to this problem. It merely provided for the cost of relocating the Division of Personnel.

Mr. Fergerson said that a down-town campus is essential because of the walk-in foot traffic. He said that their Planning Office had looked at other space, but none that offers the opportunities that the Northern Commercial property does.

Mr. Warwick asked how many of the students at the down-town facility were day students. Mr. Fergerson said that 80% or more were day-time students.

Mr. Wright said he would like to have the Northern Commercial property appraised and he also wanted them to go to the Borough and see what they were prepared to do.

Mr. Fink noted that the money they were asking for would not only relocate them, but would improve them as well. Mr. Fergerson said that was right, but it was what was included in the Capital Improvement Program.

Mr. Fink said that the Governor had turned down the Capital Improvement Program.

Mr. Warwick said that there were no funds for acquisition of land in that bond package. Mr. Fergerson said that in that case the facility had been identified, but the location had not been.

Mr. Wright moved that the Finance Committee introduce the bill which provided for an appropriation to the University of Alaska for the Juneau-Douglas Community College. Mr. Fink objected and there was some discussion. Mr. Fink didn't like the idea of introducing a bill they couldn't support, and thought they should introduce one that they could. Mr. Warwick objected because part of the bond issue was included.

Upon voting, the motion failed with Representatives Wright, Hohman, and Haugen voting yes, and Representatives Fink, Warwick, and Degnan voting no.

Mr. Hohman said that the Finance Committee would look at it and develop a bill.

ADJOURN

Meeting adjourned at 6:15 p.m.

REPORT ON THE EMERGENCY SITUATION CAUSED BY THE FIFTH STREET BUILDING FIRE

The Fifth Street Building which housed the Downtown Campus of the Juneau-Douglas Community College and the Offices of the Southeastern Regional Center and the Juneau Senior College burned early Tuesday morning, February 22, 1972. The Fifth Street Building contained the vocational and community service programs of the community college, the administrative offices of the Southeastern Regional Center, and the faculty offices of the Juneau Senior College. In addition, approximately 7,000 square feet of office space which was subleased and annually produced some \$27,000 in income for the community college was destroyed.

Table I reviews those community college programs that were displaced because of the fire:

TABLE I  
JUNEAU-DOUGLAS COMMUNITY COLLEGE PROGRAMS DIRECTLY  
AFFECTED BY THE FIRE

PROGRAMS	NO. OF STUDENTS ENROLLED
Adult Basic Education	62
Business Education (22 students in credit courses)	162
Project Careers	170
Special Interest Courses	<u>88</u>
Total	482

In addition to the programs directly affected, the Electro-Power Mechanics program had classes for thirty-nine students in another facility but was administered and received its supporting services from personnel located at the Fifth Street Building. The offices and work areas for five instructional personnel, two

counselors, one bookkeeper, four clerical, three custodians (maintenance and operation), one Vista Volunteer, and one administrator were located in this building also. The total space area being utilized by community college programs and staff members was approximately 50,000 square feet.

Table II list the Regional Center and Senior College staff located in the Fifth Street Building.

TABLE II  
SOUTHEASTERN REGIONAL CENTER AND JUNEAU SENIOR COLLEGE  
PROGRAMS DIRECTLY AFFECTED BY THE FIRE

OFFICE AND/OR PROGRAM	ASSIGNED STAFF	
	PROFESSIONAL	CLASSIFIED
Provost	0.5	0.5
Teacher Education	1.0	0.25
Public Administration	1.0	0.25
Engineering Management	0.5	
Special Programs (Work areas)	<u>1.0</u>	<u>1.0</u>
Total	4.0	2.0

The offices and programs of the Southeastern Regional Center and Juneau Senior College occupied approximately 2,000 square feet of space. Since the enrollment records for the spring semester were destroyed in the fire, the ongoing program statistics which are being reconstructed are not available; however, Table III reviews the production of the Senior College and Public Service units through January 31, the first six months of operation of the newly established Southeast Center:

TABLE III  
1971 FALL SEMESTER ENROLLMENT STATISTICS FOR SOUTHEASTERN  
REGIONAL CENTER INSTRUCTIONAL UNITS

UNIT	NUMBER OF DIFFERENT STUDENTS (HEADCOUNT)	STUDENT CLASS ENROLLMENTS	STUDENT CR. HOUR
Juneau Senior College	162	209	616
Public Service	189	189	189
"Mini" Semester*	<u>92</u>	<u>95</u>	<u>159</u>
Totals	443	493	964

\*The "mini" semester is operated through the Senior College but is broken out here for information purposes.

#### Insurance Coverage

According to the lease agreement between the University of Alaska and the City and Borough of Juneau, the University carried a \$100,000 insurance policy on the Fifth Street Building for the Borough. All contents in the building remained the property of the responsible funding agency or program. According to our current information, the University of Alaska is the only party with program responsibility that maintained an insurance policy on the contents. However, because of the incomplete inventory and the separate coverage clauses contained in the University's blanket type of insurance policy, it is not absolutely clear at this time what contents will be covered or for how much. The best estimates of the total loss are itemized below:

Juneau-Douglas Community College

Loss of furniture, fixtures and equipment after salvage	\$55,600	
Loss of Supplies:	3,705	
Custodial	505.00	
Media	500.00	
Instructional	1,200.00	
Textbooks and related materials	1,500.00	
		Subtotal
		\$59,305

Southeastern Regional Center and Juneau Senior College

Loss of furniture, fixtures, and equipment after salvage	6,200	
Loss of Supplies: instructional and office	800	
		Subtotal
		7,000
Estimated Total Loss		\$66,305

The salvage operation is still underway. Considering the unrecovered equipment in the building and what the salvage has been on the recovered equipment, the insurance adjusters have estimated the final insured loss at some \$60,000. However, because of the special type of coverage clauses contained in the blanket policy, the insured loss could range from \$18,000 to \$60,000. If the insured loss does go as high as \$60,000 there would be approximately \$6,305 that would not be recovered through insurance. Of course, if the insured loss figure was lower, then the difference between the actual loss and the insured loss would be the unrecovered loss amount.

Because of the emergency situation that has resulted from the fire -- disrupted programs for some 482 community college and 443 senior college students, and an estimated loss of \$66,305 in equipment and supplies -- the University of Alaska, at the request of a delegation of legislators from Southeast Alaska, has developed three plans to be considered for assisting and insuring that these educational programs continue.

AFTER RECESS

1:40 p.m.

PRESENT All members except Mr. Haugen. The following people were also present from Alaska Methodist University: John Picton, Rev. Wischmeier, Max McGaugher, Frank Rose, Ray Peterson, Robert Denny, Gordon Wear, John Sackett, Frederick Hood, V. Louise Kellogg, and Chuck Sutite.

HB 549 & Chairman Hohman called the meeting to order and said that  
HB 608 HOUSE BILL NO. 549 (An Act providing for tuition grants to students attending institutions of higher education in Alaska) and HOUSE BILL NO. 608 (An Act providing for tuition grants to students attending institutions of higher education in Alaska) would be under discussion.

Dr. Picton passed out copies of Alaska Methodist University's cash flow projection for FY 71-72 budget year. (See page 438 of the minutes.)

Dr. Picton said that they get the impression that some people think they are hiding something, and he stressed that they are not. He said they have attempted to be open and as helpful as they can. He said they also get the impression that some people think they have either a church foundation or some individual willing to take over. They don't. He said the Methodist Church is not interested in selling to any secular group. He said they were committed to high quality non-secular education. Dr. Picton said that AMU, as well as many other private institutions throughout the nation, cannot be viable today and provide high quality educational needs without financial support from the state.

Dr. Picton said that as far as AMU is concerned, without the sale of the land which would permit them to pay debts, and without the tuition grant bill, they would cease to exist. He said that if the asked for support is not forthcoming, the Trustees will probably decide at their May meeting to close AMU down since it would be impossible to continue to operate a quality education program.

Dr. Picton said that since "coming on board" at AMU, he has been studying the entire organizational structure and operation. He said they are going through total reorganization and streamlining of operation. He said they are working up a budget for next year from scratch rather than cutting. He said that at this point in time it would appear that a budget of \$1,680,000 would permit them to operate a quality program that is not the high quality they want, but a respectable limited program.

He said that on the income side of that particular budget is the proposed legislation which would provide students grants in aid. It seems to them that they could attract 440 students under those conditions. This would provide them with a rate of \$2200 per student or \$990,000 in tuition. In summer school and part-time student tuition they would estimate \$125,000. He said miscellaneous fees would be \$75,000. He said there was some Title III overhead for \$60,000. There would also be some interest they would have on the money left from the land sale and that would provide about \$30,000. Dr. Picton said they felt they could conservatively say they could raise \$100,000 in the State of Alaska, \$150,000 from church sources, and \$200,000 from foundations. They estimate \$450,000 from outside the State.

Dr. Picton stated that in spite of the difficulties AMU faced last year, they were able to generate \$353,000 plus, and so far this year they have generated \$380,000 plus. He pointed out that \$100,000 of that came from an ARCO grant and there would not be a repeat on it. However, he said that another foundation tells them they would give a \$50,000 grant this year plus a \$50,000 grant for next year if the legislature passed the tuition grant bill.

Dr. Picton concluded his testimony by saying that it is a question of whether or not the State of Alaska is going to have a dual education system or a state monopoly in higher education.

Mr. John Sackett was the next to testify. He said there were two areas he specifically wanted to bring before the group. One is that education at AMU is to the advantage of the State in terms of State participation. He said that assistance would cost the State less than if those same students were going to the U. of A. where they would have to pick up 100% of the tab. He also said that the special individual attention was vital to Native Students trying to make the transition from village living. He said that AMU strives to give special tutoring and service.

Mr. Sackett said that the budget which has been proposed to them has been cut to realistic levels. He was sure they could stick to it with assistance from the State.

Mr. Peterson spoke next. He said that he and his fellow trustees who were on the Board at AMU had gone into the budget and they feel it is reasonable. He said that AMU is going broke and needs state help at this time. He said it appeared that the student grant was one that would meet the constitutional test. He said there is a need for competition in education.

Mr. Peterson said that some subsidy was being carried out in many states for private schools. He said he was somewhat of

an expert on subsidies and said that it is an American tradition. He said subsidy is used usually with the idea of getting a business in a viable position. He hoped that through student grant, which is a subsidy to the student, which the State automatically has at the State University in the form of low tuition. This sort of grant would be helpful in making AMU a viable institution.

[Mr. Haugen arrives.]

[Mr. Joe LaRocca, AP, arrives.]

Mr. Warwick asked why they should only give tuition grants to students going to school in Alaska. He thought all students who were residents of Alaska were entitled to the same opportunities. Mr. Picton said that if the State had enough money to do that, it was a good consideration. He said however that when students are sent out of State for education, they are going to make economic connections outside and will probably not return to the state. Thus, they will not continue to contribute to the State as they would if they were in the State.

Mr. Warwick said that they weren't even filling the financial needs of the U. of A. He thought they needed more money to hire better instructors. He said the turn-over for instructors was so great that they can't get instructors to stay.

Mr. Denny, a trustee, pointed out that AMU under its present budget will bring in some outside funds to Alaska somewhere in excess of \$450,000. This money will be spent in the State. Without AMU remaining a private school, that money would not flow in.

Mr. Rose was next to speak. He said he served as consultant to AMU. He said he had been living with some of the questions which were being raised for the past 25 years. He has been an education consultant for 12 years. He said it was his main interest and concern to help AMU. He said he was impressed with the Board of Trustees and the new President at AMU. He said he can't help but come back to the fundamental point, having served as President of a large major University with a \$100 million a year budget with three campuses, that a private university could not survive without State aid. He said that he spends most of his time working with private institutions because he believes the valuation of higher education in the country depends upon how strong private universities can remain.

Mr. Rose said that a strong dual system of higher education was an important factor for quality higher education in this State. He felt it would be a tragic mistake for the State to give up AMU.

Mr. Warwick noted that tuition was going to be the balancing factor for AMU's budget.

Mr. Fink pointed out that about 60% of the State's college students attend the U. of A. About 34% go to school out of State, about 3% go to AMU and less than 1% go to Sheldon Jackson. He could not see why such a small percentage should be subsidized when the others were not. Another area he was concerned with was vocational schools, where a student sometimes was paying \$660 for one course. Mr. Fink felt the State had an obligation first to public education. He pointed out there is a need for \$4 million in the student revolving loan program.

Mr. Warwick asked how they would feel about the State of Alaska buying AMU. Mr. Rose said it would sieze to be a private university and would become dependent upon the U. of A. They didn't want that. He stressed that they felt they could stay within their budget if they received the tuition grant. He admitted that in the event that they couldn't manage, he assumed some kind of negotiations would have to be made with the State.

ADJOURN Meeting adjourned at 3:30 p.m.

**ALASKA METHODIST UNIVERSITY**  
**CASH FLOW PROJECTION ----- 1971 - 1972 BUDGET YEAR**  
**CURRENT OPERATIONS, AUXILIARY ENTERPRISES & REPAYMENTS**

MGH/jf  
 REVISED March 29, 1972

	Actuals: July - February	March	April	May	June	Current Estimates Repayments, Operations, & Auxiliary	Current Estimate of Operations Budget Only 1971-72	Estimated Variance From Operations Budget	Operations Budget 1971-72
<b>ESTIMATED EXPENDITURES:</b>									
Salaries	836,935	120,000	120,000	120,000	134,685	1,331,620	1,248,930	--,---	1,248,930
Building Bond Interest	--,---	45,000	--,---	--,---	--,---	45,000	--,---	--,---	--,---
Monthly Expenditures	<u>655,110</u>	<u>100,000</u>	<u>95,000</u>	<u>95,000</u>	<u>122,150</u>	<u>1,067,260</u>	<u>684,550</u>	<u>--,---</u>	<u>684,550</u>
	<u>1,492,045</u>	<u>265,000</u>	<u>215,000</u>	<u>215,000</u>	<u>256,835</u>	<u>2,443,880</u>	<u>1,933,480</u>	<u>--,---</u>	<u>1,933,480</u>
Loan Repayments	360,000	283,000	--,---	--,---	100,000	743,000	--,---	--,---	--,---
Accounts Payable & Contracts	<u>400,000</u>	<u>242,000</u>	<u>--,---</u>	<u>--,---</u>	<u>--,---</u>	<u>642,000</u>	<u>--,---</u>	<u>--,---</u>	<u>--,---</u>
	<u>2,252,045</u>	<u>790,000</u>	<u>215,000</u>	<u>215,000</u>	<u>356,835</u>	<u>3,828,880</u>	<u>1,933,480</u>	<u>--,---</u>	<u>1,933,480</u>
<b>ESTIMATED INCOME:</b>									
Sale of Residence	45,000	--,---	--,---	--,---	--,---	45,000	45,000	--,---	45,000
Released Library Funds	518,000	--,---	--,---	--,---	--,---	518,000	108,000	--,---	108,000
Library Transfer	350,000	--,---	--,---	--,---	--,---	350,000	--,---	--,---	--,---
Tuition	508,000	27,000	27,000	27,000	44,500	633,500	633,500	+21,500	612,000
Auxiliary Income	375,000	40,000	40,000	40,000	46,000	541,000	30,600	--,---	30,600
Indirect Costs	105,400	8,000	8,000	8,000	9,600	139,000	139,000	--,---	139,000
Title III	30,775	7,000	7,000	7,000	8,225	60,000	60,000	--,---	60,000
Miscellaneous	99,513	12,000	12,000	12,000	2,087	137,600	137,600	+25,000	112,600
Advance Specials - Church	46,353	7,000	7,000	7,000	7,647	75,000	75,000	--,---	75,000
Donations for Operations-Alaska	100,876	12,000	12,000	19,124	6,000	150,000	150,000	-50,000	200,000
Nationwide	139,984	27,000	27,000	27,000	29,016	250,000	250,000	-201,280	451,280
Southeast	--,---	--,---	--,---	--,---	--,---	--,---	--,---	-100,000	100,000
Sale of Land to U of A	--,---	975,000	--,---	--,---	--,---	975,000	350,000	+350,000	--,---
TOTAL INCOME	<u>2,318,901</u>	<u>1,115,000</u>	<u>140,000</u>	<u>147,124</u>	<u>153,075</u>	<u>3,874,100</u>	<u>1,978,700</u>	<u>+ 45,220</u>	<u>1,933,480</u>
MONTHLY GAIN (LOSS)	66,856	325,000	(75,000)	(67,867)	(203,760)	--,---	--,---	--,---	--,---
	<u>--,---</u>	<u>66,856</u>	<u>391,856</u>	<u>316,856</u>	<u>248,980</u>	<u>--,---</u>	<u>--,---</u>	<u>--,---</u>	<u>--,---</u>
CUMULATIVE CASH FLOW	<u>66,856</u>	<u>391,856</u>	<u>316,856</u>	<u>248,980</u>	<u>45,220</u>	<u>45,220</u>	<u>45,220</u>	<u>45,220</u>	<u>--,---</u>

4/4/72

-438-

HOUSE FINANCE COMMITTEE

April 5, 1972

8:45 a.m.

Present: All members except Mr. Ditman and Mr. Haugen.

Chairman Hohman called the meeting to order and made the following bill assignments:

HCR 45 HOUSE CONCURRENT RESOLUTION NO. 45 (Leasing space from ASHA) -- Wright

HB 775 HOUSE BILL NO. 775 (Appropriating \$80,000 to the Department of Public Works) -- Degnan

HB 779 HOUSE BILL NO. 779 (Relating to the Executive Budget Act) -- Fink

HB 780 HOUSE BILL NO. 780 (Salaries of the governor's intern) -- Ditman

HB 508 The committee considered HOUSE BILL NO. 508 (an act making a supplemental appropriation to the Office of the Governor, Public Defender Agency \$110,000). Mr. Warwick moved and asked unanimous consent that HB 508 pass from committee with a "do pass" recommendation. Mr. Fink objected. The committee briefly reviewed the testimony that the Public Defender had given on the need for this supplemental.

Mr. Ditman entered the meeting.

HB 508 passed from committee with 5 "do pass" recommendations and 1 "no recommendation" vote. (Mr. Fink signing "no recommendation")

HB 594 The committee then considered HOUSE BILL NO. 594  
HB 595 (establishing Alaska American Revolution Bicentennial Commission) and HOUSE BILL NO. 595 (Appropriating \$5,000 to the Alaska American Revolution Bicentennial Commission). After a brief discussion, it was moved and unanimous consent asked that HB 594 and HB 595 pass from committee with individual recommendations. No objection, so ordered. All members signed no recommendation on both bills (except Mr. Haugen who was absent).

HB 688 The committee then considered HOUSE BILL NO. 688 (an act appropriating to the Office of the Governor,

4/5/72

Division of Elections, \$90,000). Mr. Degnan moved and asked unanimous consent that HB 688 pass from committee with a "do pass" recommendation. Mr. Fink objected. Mr. Fink asked if this money would be needed if reapportionment does not go through. He did not feel that this would be necessary. Mr. Degnan said they would still need this. After a brief discussion, HB 688 passed from committee with 4 "do pass" recommendations and 2 "no recommendation" votes (Mr. Warwick and Mr. Fink signing "no recommendation").

HB 568 The committee then considered HOUSE BILL NO. 568 (appropriating \$214,000 to the Department of Public Works). However, no action was taken and the bill was returned to the files.

HB 626 HOUSE BILL NO. 626 (appropriating to the Office of the Governor, Public Defender, \$25,000) was then up for discussion. Mr. Wright moved and asked unanimous consent that HB 626 pass from committee with a "do pass" recommendation. So HB 626 passed from committee with 5 "do pass" recommendations and 1 "no recommendation" vote (Mr. Fink signing "no recommendation").

HB 657 Mr. Degnan moved and asked unanimous consent that HOUSE BILL NO. 657 (an act authorizing appropriations by the Department of Economic Development made under ch. 131, sec. 9, SLA 1971; and providing for an effective date) pass from committee with a "do pass" recommendation. Mr. Fink objected. Discussion followed on whether or not this was an additional \$25,000 or the original \$25,000. Mr. Hogan gave some of the background information that he thought resulted in the introduction of this bill by Representatives Moore and Ferguson.

Mr. Hogan suggested that the committee consider amending the bill as follows:

page 1, line 13, change "purposes" to read "purpose"  
page 1, line 14, delete "making available federal matching funds for the".

Mr. Degnan moved and asked unanimous consent that HB 657 as amended pass from committee with individual recommendations. So HB 657 am passed from committee with 5 "do pass" recommendations and 1 "no recommendation" vote (Mr. Fink signing "no recommendation").

Deputy Commissioner Thomas, Mr. Cole and Mr. Ridle from the Department of Education, entered the meeting.

HB 441 Discussion followed on HOUSE BILL NO. 441 (relating to state support for vocational education). Mr. Thomas said they had analyzed this bill and would like to suggest a different approach. He said rather than changing the base instructional unit they would suggest changing the formula on which the instructional units are allocated. He said the small districts are treated equitably and are at a "break even" point; however, the larger districts get up to a point where they have to have an additional 50 FTE's in order to get another unit. He said this change in the formula would bring Anchorage, Fairbanks and Juneau up to about 85% to 90% support. Discussion followed.

Mr. Thomas noted the following percentages for total expenditures for vocational education for 1971: Anchorage 46%, Fairbanks 52%, Haines 85%, Homer 100%, Petersburg 106%, Kodiak 53%, and Ketchikan 69%. Mr. Fink questioned the 106% for Petersburg. He said that if that was the only program they had then they would have money left in their treasury.

The committee discussed the cost of this bill and requested Mr. Thomas to provide them with a fiscal note on this.

Mr. Thomas pointed out another problem is in section 2 of the bill which says "To the extent that the school construction is for vocational education facilities, as determined by the commissioner, the state shall allocate three-fourths of the sums paid". Mr. Thomas said they would have a "terrible time" trying to distinguish what was used for vocational education. Mr. Wright said he felt it would be an error to change section 2. Mr. Thomas said he just wanted to call this to the committee's attention.

Mr. Hohman requested that the committee be furnished a copy of a draft bill indicating the proposed department's changes to the bill.

Recess: The meeting recessed at 10:00 a.m.

AFTER RECESS

2:05 p.m.

Present: All members. Representative Mike Miller; Representative Whittaker; Byron Mallott and Bob Doscher, Local Affairs Agency; Bob Schroeder, Budget and Management; Don Berry, Municipal League; and Rick Garnett, Attorney General's Office, were also present.

Chairman Hohman called the meeting to order and said the committee would hear testimony on the Local Government package.

Local Government Package Representative Mike Miller read from a prepared memo on a "package" of legislation dealing with local government in Alaska (see pages 449 through 452.) He said that HB 597 (providing for assessment/levy/collection/distribution of a property tax) is now covered in HCR 51 (a study of the ramifications of a statewide property tax).

Representative Miller summed up his statements on LOCAL GOVERNMENT COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 598 (an act providing for a state tax on property used in connection with transportation of unrefined oil and gas; and providing for an effective date) by saying that this 20 mill tax would generate a large amount of money but he did not think they were "locked into redistributing every single sent to the unorganized and organized boroughs". Representative Miller asked that the committee listen to testimony from Mr. Mallot of the Local Affairs Agency.

Mr. Mallot said the Administration does support and seek passage of LOCAL GOVERNMENT COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 552 (an act creating a Department of Community and Regional Affairs). Mr. Mallot said that the agencies that would be transferred in total to this proposed department would be Rural Development Agency, the Local Affairs Agency and the SEOC. He said they envision SEOC as being a separate line division within the new department. Mr. Mallot said that the Planning Department of ASHA would be transferred to the new department. Mr. Hohman asked the additional cost for setting up this new department. Mr. Mallot answered the new commissioner's office would be \$123,000 and the new administrative services branch would be \$129,000. The other divisions as transferred would reflect the Governor's FY 73 budget.

Mr. Hohman asked if there would be an increase for the Planning and Research section. Mr. Mallot said no, as it now exists in ASHA it is completely federally funded and they would expect this to continue for at least the next fiscal year. Mr. Hohman asked for a departmental budget total. Mr. Mallot said they did not have a firm fix on how many federal dollars will be transferred to the division of planning and research but they estimate this to be around \$100,000. Mr. Schroeder said it would cost \$10,505,800 to fund CSHB 552 for FY 73.

The committee discussed the new positions involved in this department. Mr. Mallot said this has not been submitted as yet but there are about 20 new positions (10 in administrative services, 6 in local affairs, and 4 in the commissioner's office). Mr. Hohman requested that the committee receive a breakdown to include the organizational chart of the new department, the amount requested for each division and a list of the new positions. Mr. Mallot pointed out that they had tried to stay within the same dollar figure contained in the budget as originally sent to the legislature.

The committee substitute deleted the inclusion of the Department of Economic Development. Mr. Wright asked if it was Local Government's idea to take this out. Mr. Miller said yes. It was their committee's feeling that Economic Development would not be a "compatible mesh" in this bill. Mr. Miller added that about the same time the Administration arrived at this same decision. He added that in the original bill ASHA was included and in the committee substitute it is deleted, with the exception of the Planning section. Mr. Wright asked why they pulled out ASHA. Mr. Miller said this was primarily at the Governor's request. The thinking is that they will start with a "small bite" this year, he added.

Mr. Ron Usher and Mr. Bill Berrier entered the meeting.

Mr. Fink questioned how ASHA could operate with the planning office in this new department. He said HUD may very well insist that they have their own planning office. Mr. Mallot said in their judgment this is a logical step. The planning department of ASHA as it now exists is principally funded through the state Division of Planning and Research -- it is not a true pipeline to HUD, he added. They feel this will develop a closer relationship with ASHA. Discussion followed.

Representative Swanson entered the meeting.

Mr. John Sackett entered the meeting.

Mr. Don Berry spoke in support of CSHB 522. He said for six years this has been the top priority of the Alaska Municipal League.

HB 488

The committee then discussed HOUSE BILL 488 (an act appropriating \$250,000 to the Office of the Governor). This is to provide technical assistance and contractual services for the establishment of any accounting system for cities of the fourth class. A detailed discussion followed. Mr. Mallot said this will allow two new positions in Local Affairs and will enable them to contract with appropriate firms to do a one time initial training session to establish these accounting systems. He said the follow up on this would be assumed by the Local Affairs Agency. Mr. Mallot said this bill is not part of the administration's budget request and he did not have an indication of whether or not they support it. He did point out that this kind of accounting system is badly needed.

Mr. Hohman said there is a great need for this kind of assistance. He said there is an amendment to the bill by the Local Government committee which would restrict participation to fourth class cities with a population of under 1,500. Mr. Mallot said in terms of priority fourth class cities have to be considered number one for the kind of assistance they are talking about. He said he had sent a memo to Representative Ferguson pointing out that the need is much broader than just this legislation. Mr. Mallot said the most important facet takes place in terms of the follow-up on these systems.

Mr. Degnan asked how many communities they could assist with the \$250,000. Mr. Mallot said they could take care of all the fourth class cities. This would provide an accounting system; however, Mr. Mallot said without a follow-up this would go, in his judgment, in the "round file".

Mr. Perkins, Director of the Rural Development Agency, spoke on the problems of their agency. He said their greatest problem in their grant program is village bookkeeping. He felt that HB 488 is a "dire necessity". Mr. Warwick said he would agree there is a void but questioned whether the \$250,000 would accomplish any thing. He said very rarely can you give an entity more accounting than it needs.

After more discussion on this bill, Mr. Miller said this bill is just one of many needs and that he hoped the committee would consider the entire package.

Mr. Hohman asked if HB 488 is passed would they utilize the Anchorage Community College for conducting seminars. Mr. Mallot said they did not envision any seminars. He said it is their understanding that what this bill requires is the establishment of basic accounting systems. To do that in every fourth class city would use every dollar of the appropriation, he added. Staff follow-up on the part of the Local Affairs Agency is not covered within this scope.

Mr. Hohman requested a narrative and a fiscal note on HB 488.

HB 596

Mr. Mallot said that Mr. Garnett would address himself to the specific questions on HOUSE BILL NO. 596 (an act providing for boroughs in the unorganized borough). He said it would cost approximately \$78,000 to carry out the establishment of boundaries by the Local Boundary Commission.

Mr. Garnett explained HB 596. Mr. Warwick said he did not see that this bill allows for anything that cannot presently be done. Mr. Garnett said he did not think this was "crystal clear" and he did not feel they could anticipate the Boundary Commission to move without incorporation of this bill. In answer to Mr. Warwick, Mr. Garnett said this bill provides for the creation of geographic units. Once they have the units, the communities can chose to remain unorganized or they can chose to become organized, Mr. Garnett added. He added that some of the other provisions in the bill are "in some sense administrative procedures". He said "even if nothing is done but drawing lines I feel there is a benefit to be had". He said this also provides units of revenue sharing contemplated under HB 598.

Mr. Fink asked if this delegates zoning power and this was briefly discussed.

Recess: The meeting recessed at 3:35 p.m.

AFTER RECESS

4:04 p.m.

Discussion continued on HB 596. Mr. Garnett said the bill did not spell out that the department should have these zoning powers. He said, in answer to Mr. Fink,

they felt it would be legal to delegate zoning power and they prefer to have it in this new department. He said they probably should include a one line addendum to read "including the zoning powers formerly delegated to Natural Resources". Mr. Garnett read several proposed amendments. (These amendments are recommended by Local Government and are included in the bill file.) Discussion followed on these amendments.

CSHB 598 Mr. Garnett explained that CSHB 598 (an act providing for a state tax on property used in connection with transportation of unrefined oil and gas) in the first section provides for a levy of 20 mills on a certain class of property. He said this class of property is treated somewhat differently than the original version of the bill. He said there are problems in the definition of what property they are going to reach. They received help from the Department of Revenue on a workable way to limit the property they were trying to reach, he added. He said they were not trying to reach the kinds of things involved in construction of the pipeline (i.e., helicopter) -- they were talking about the facilities. Mr. Garnett said this is based on the costs incurred or accrued by the tax paying entity. Mr. Garnett said the last sentence in Sec. 43.56.010 specifies that the property they are talking about is only property which is not taxable by the local government unit, on January 1, 1972 and on January 1 of any succeeding year. Mr. Warwick asked if 20 mills wasn't "pretty steep". Mr. Garnett said they felt this was a matter of judgment. He said he believed that the City of Kenai levies at least 20 mills.

Mr. Ditman questioned the effect on the City of Valdez. He said they would be providing police protection, schools, etc. Mr. Garnett said it is true that when the pipeline is installed there will be an impact on the area where the installation is located. He felt it was reasonable for that area to get some tax benefit. He added that the question is whether the impact is sufficient so Valdez could tax for all of this. He said his suggestion would be that Valdez could have "a couple of mills off the top" which would provide for this impact. Mr. Ditman questioned the use of the word "employed" on line 15, page 1, and "employment" on line 19, page 1, of the bill. Mr. Garnett said it was possible that a word that removed the labor context would be more appropriate. Mr. Garnett briefly explained the provisions of the bill.

Mr. Garnett explained the mechanics of the distribution index shown on page 4 of CSHB 598. Mr. Fink said that one substantial difference is that under the present system the money for unorganized boroughs would be appropriated by the legislature for specific programs. Under this concept the money would go to the head of the Local Affairs Agency and he would decide how to spend it -- the legislature would give up its jurisdiction, Mr. Fink stated. Mr. Garnett said this is true but he did not feel this was much different than what they are doing now. Mr. Fink pointed out that if they were talking about \$80 million of tax on a pipeline they were speaking of a lot of money. Discussion followed on the distribution index. The committee expressed concern over the formula used in the bill. Mr. Ditman asked that Valdez be used as an example of how this formula would apply and this was briefly discussed. Mr. Mallot pointed out that they would utilize other figures than the census figures to arrive at the population factor. Mr. Warwick suggested deleting any reference to the fiscal capacity of a governmental unit because he did not feel this was relevant. The committee discussed various solutions to this.

Mr. Mallot pointed out that they would like CSHB 552 treated as a separate bill and noted it is not tied to the tax legislation.

The committee briefly discussed HOUSE CONCURRENT RESOLUTION NO. 51 (study of ramifications of a statewide property tax). Mr. Mallot said he was not prepared to testify on this bill but agreed to furnish the committee with a fiscal note.

HB 499

Mr. John Sackett testified on the need for HOUSE BILL NO. 499 (an Act creating the Alaska Regional Organizational Loan Fund). Mr. Sackett said that the Tanana Chiefs had enthusiastically come out with a resolution requesting passage of this bill in order to follow the guidelines specified in the claims settlement. Mr. Sackett explained the guidelines that must be followed and said they had not been able to get financing to do this. The bill would provide a loan fund for this and Mr. Sackett said that the state would be paid back. Mr. Hohman asked if the Alaska State Bank had indicated how many applications on this they had. Mr. Sackett said they indicated they had \$500,000 worth of applications pending. He said the bank was in favor of HB 449 because the bank could not loan this amount because of FDIC regulations and would prefer to have the state loan the money.

Mr. Fink said he felt this bill was cumbersome and he thought they should have a short, simple bill. He felt they should tell the Department of Revenue that they "shall" loan to the regional corporations an amount of money equal to their first draw or first two draws. He did not feel this should be limited to organizing but should include organizing and operating funds. Mr. Sackett said his interpretation of the bill included operation. Mr. Fink felt the interest rate should be 5.9% rather than the 4% shown in the bill. Mr. Sackett said their first recommendation would be the 4% interest. This was briefly discussed and the meeting adjourned at

Adjournment: 6:06 p.m.

Alaska State Legislature



House of Representatives

March 29, 1972

MEMORANDUM

TO: George Hohman, Chairman  
House Finance Committee

FROM: Mike Miller, Chairman  
House Local Government Committee *Mike Miller*

George -

As I indicated to you Saturday, the House Local Government Committee has now completed work on a "package" of important legislation dealing with local government in Alaska. It would be very much appreciated if you could schedule an afternoon appearance on this subject before the Finance Committee. At that time, I would suggest that you hear comments from the Local Affairs Agency and other agencies within the administration which might wish to be heard, the Alaska Municipal League and the House Local Government Committee.

Following is a very brief synopsis plus a few comments on each of these bills:

HB 552

This is a bill establishing a new Department of Community and Regional Affairs. In its original form, the bill envisioned a new department consisting of the Local Affairs Agency, the Rural Development Agency, present ASHA planning people, the Department of Economic Development plus some additional new or existing sub-agencies. The House Local Government Committee is proposing a committee substitute -- and this has the concurrence of the administration -- which eliminates the Department of Economic Development from the new department and instead leaves that department intact and as-is. (Incidentally, several members of the Local Government Committee have indicated a desire to make other arrangements for the present Department of Economic Development. These arrangements have not been reduced to writing, however, and in any case are not pertinent to this package of legislation.)

One of the great opportunities of HB 552 is to incorporate the existing ASHA staff into the new department where it can meet not

REPRESENTATIVE MIKE MILLER

COMMITTEES  
CHAIRMAN, LOCAL GOVERNMENT COMMITTEE  
MEMBER, RULES AND STATE AFFAIRS COMMITTEE

only its existing ASHA commitments but can also direct its experience and expertise toward meeting some of the horrendous non-ASHA planning problems that exist throughout the state. At present, the ASHA planning staff is totally funded with federal dollars. As I believe the administration will indicate, there is a compelling need to supplement those federal dollars with some additional state funding in order to broaden the base of the existing operation.

It is the feeling of the Local Government Committee -- and the feeling as well of the municipalities, several educators, and a number of other legislators -- that cabinet status for the local government function of the state is long overdue. The work of local government touches, directly and constantly, upon the health, the homes, the environment, and the taxability of every person who lives within the jurisdiction of some sort of municipality. The Local Affairs Agency has been serving this constituency rather well considering the inadequacies of the present structure, however, with departmental status they could do much better. (And, in fact, they must do much better in the future in view of the challenges of new and existing boroughs, new forms of regional government, new problems and new opportunities.) This projected new department is an outgrowth of the Alaska Constitutional Convention whose delegates clearly foresaw the need for such a department when the time was right. The time is right, right now.

HB 596

This bill, suggested by the Governor, recognizes that in many bush areas there is a crying need for some very basic and very elemental forms of local self-government. In such areas even 2nd or 3rd class boroughs are much too sophisticated to be wanted or useful. The bill sets the machinery in motion which will divide the state into unorganized boroughs and which will provide a vehicle for state financial aide to these localities.

HB 597

This was a much publicized bill establishing a 15 mill tax, with certain exemptions, in the unorganized borough. Because there are many considerations unanswered (relative to estimates of how much revenue such a tax would create; how much taxable property there is; how much it would cost to administer tax collections and distribution) the committee opted to request the Legislative Council to conduct a thorough study of these questions in the interim between sessions. This study, too, has the concurrence of the administration.

HB 598

This bill establishes a 20 mill tax on oil transportation facilities (pipelines) throughout the state and reallocates monies collected back to the organized and unorganized boroughs of the state. The reallocation formula is not based on simple population but is instead based on a formula which takes into consideration the relative wealth of an area, population, cost of doing business in a given municipality, and other factors.

Within our committee there was some discussion concerning two points which you might wish to explore further. One was a suggestion of mine that instead of redistributing the entire 20 mill tax amount the state could reallocate a certain number of these mills (perhaps one or two or more) directly to the municipality in which the tax resource is located. As a practical example, pipe stacked in the North Slope Borough, North Star Borough, or in Valdez would be taxed at 20 mills but one or two or more of those mills would go directly to the borough concerned and the balance of the millage would go to the state for reallocation to boroughs throughout the state. The entire foundation for HB 598 rests on the premise that the taxable wealth included in materials which will make up the pipeline is a state-wide resource. The premise also anticipates that if such a tax resource were not to be considered of a state-wide nature and if it were limited to a local municipality only, the resource would be vastly under-used. Nonetheless it should be recognized that the pipeline will make its greatest impact on those areas where the pipeline itself is located. Therefore, it seems only fair that a special portion of that tax should be granted exclusively to those impact areas in order to help solve the problems created there.

A second suggestion has been made by at least two members of the committee who feel that this tax should be levied only on pipe 30 inches or greater in diameter. This would have the effect of leaving smaller feeder lines within the taxing jurisdiction of a local municipality. Our committee did not discuss this concept in depth, however, I personally feel it may have considerable value.

Regardless of how we handle the details, I think it is very important to realize that a source of taxation such as this is necessary if we are going to provide needed revenue to fund the new unorganized boroughs anticipated by HB 596.

HB 521

One of the biggest problems in trying to deal with the proposed tax in the unorganized borough was the fact that we really don't know how much taxable wealth exists in the unorganized borough. Further, a certain amount of elementary mapping work needs to be

done in order to create the new administrative units envisioned by HB 596. This bill merely allocates monies for a program of assessment and basic mapping in the unorganized borough so that the problems raised in the other legislation can intelligently be resolved.

HB 488

This bill appropriates monies to the Local Affairs Agency to provide technical assistance and contractual services for the establishment of an accounting system for cities of the fourth class. This bill is not technically part of the local government package discussed above. The bill does, however, identify an existing and very critical problem which exists in the bush. That problem is lack of administrative experience and/or training on the part of new small municipalities which have sprung up throughout the state. The problem is, as indicated previously, a critical one and it is hoped by the committee that either through passage of this bill or by inclusion in the budget document that monies dealing with this issue will be allocated.

HOUSE FINANCE COMMITTEE

April 6, 1972

8:30 a.m.

PRESENT All members except Representatives Ditman and Wright. The following people were also present: Mr. Dick Freer, Deputy-Commissioner of Administration; Miss Mary-Jean Hackwood, Benefit Supervisor; Mr. John Carter, from the Alaska State Employee's Association.

Retire- Chairman Hohman called the meeting to order and stated that  
ment the Retirement Package would be under discussion. Mr. Hohman  
Package asked Miss Hackwood to give a brief run-down of HOUSE BILL NO.  
HB 539 ((An Act relating to creditable service payments for re-  
tired teachers.

Miss Hackwood said this would increase the minimum benefit payable from \$12 per month to \$15 per month per year of service or \$325.00 a year instead of \$300. The effect of HB 539 would be to increase the liabilities of the System by slightly more than 1.2 million dollars, and thereby increasing the annual contribution level required under the System by .17%.

Mr. Hohman asked if this changed the teacher's contribution. Miss Hackwood said no.

HB 540 Mr. Hohman asked what HOUSE BILL NO. 540 (An Act relating to eligibility for teachers retirement) would do. Miss Hackwood said that it would amend Sec. 14.25.110 to require that a teacher must complete at least eight years of membership service in Alaska in order to qualify for retirement benefits under the system.

Miss Hackwood said that HB 540 actually came up as a result of problems in the Committee Substitute passed last year where the phrase "and has completed a total of at least eight years of membership service in the state" was left out. The change proposed in HB 540 is merely to render the requirements for service retirement benefits to be comparable to those requirements for deferred benefits and for deferred vested benefits.

HB 537 & Miss Hackwood said that HOUSE BILL NO. 537 (An Act relating to  
SB 290 teachers' retirement salaries) and SENATE BILL NO. 290 (An Act relating to teachers' retirement salaries) are the same bill. They provide that currently retired teachers should have their retirement benefits adjusted, based on both the percentage rate of benefit in the current benefit provision and the final average salary upon which the current provision is based. Thus, it would apply the current benefit formula with respect to retired individuals whose employee contributions were made at a much lower rate than is currently required of members of the System.

Miss Hackwood said that in essence everyone's benefit would be calculated on the 2% benefit formula in effect since last year. Future benefit changes would also be retroactive.

Miss Hackwood stated that it also contains a lump sum benefit which would be the option of the teacher.

Miss Hackwood said the effect of adjusting benefits of those individuals who are retired and whose benefits were based upon formulas other than the current formula would be to increase the liabilities of the System by slightly over 2.25 million dollars. This would result in an increase in the employer-state contribution rate of approximately .31% of the covered payroll.

She went on to say that if both HB 537 and HB 539 became law, the combined financial effect on the System would be an increase in the liabilities of the System of \$3,063,092, which converts to an employer-state contribution increase of .42%.

Miss Hackwood pointed out that although it had a great deal of support among the membership that it is not considered a sound provision for a retirement system.

Miss Hackwood said that the costs she had mentioned were on the assumption that there would be no recalculation of average base salary. If there was, and it was increased after retirement, it would increase the cost.

Mr. Fink asked if there would have to be recalculation. Miss Hackwood said that the way the bill is written, there would be.

Mr. Fink couldn't see why it should be so difficult to go back and pick up the rest of the people since they have been using the 2% for the other teachers. Miss Hackwood said they don't have salary information for those who retired prior to 1955. She said that it could be done for those who retired after 1955.

Mr. Fink asked the number of people to be effected, and Miss Hackwood said there would be 150 teachers effected by the amendment at a rate of \$115 per month.

Mr. Fink said he assumed that some teachers' retirement bill was going to pass this session. He asked them to assume one that goes over 10%. He noted that the information being used was two years old. He said that next year with current information and re-runs they could find out if the correct amount was over 10%. If there was a shortage for that one year, they could raise the percentage up. He said there was a question in his

mind and he couldn't decide whether it would be better to raise the 10% to 11% or to let it go at 10% on the basis that if they were short they would raise it up. He added that the contribution rate wouldn't have to go down much to accomodate these bills.

Mr. Fink asked Miss Hackwood her opinion on raising the 10% to 11%. She said that the contribution going into the statement reflected actuarial information, so if it was over 10%, it should be raised.

Mr. made a request of Mr. Freer. He asked him to find out if the Department of Administration would recommend a veto of the 11%. He said he wanted a separate recommendation on HB 537, on HB 539, and on the combination.

Chairman Hohman said they would go on to discuss the Public Employee's retirement bills. He asked Mr. Carter to testify.

Mr. Carter referred to CS for SENATE BILL NO. 264 (An Act relating to retirement benefits), which had been amended considerably in the House State Affairs Committee the day before. He said that the only amendment with major impact was the one which changed the employee's contribution rate. He explained that the contribution at the present time is 3.5%. This was raised up to 4.25% in the proposed legislation, and House State Affairs reduced that to 4%. However it is still an increase over the present rate.

Miss Hackwood passed out a cost analysis of the House State Affairs version of CS SB 264. (See page 459 of the minutes.)

Mr. Fink asked what the employees should be paying in comparison to the State. Mr. Carter said the ideal State---Employee contribution ratio was 2.5:1.

Mr. Carter admitted that the additional quarter percent would probably bring it more in line with the 2.5:1, but said that he was concerned about the employee's pocket book this year. He felt that an additional half percent would make enough of a dent. However, he added that if this was something that would jeopardize the bill, he would request it be brought back up to 4.25%.

Mr. Carter went on to talk about some of the other changes. He said that presently the benefit formula was 1% for one to ten years. The bill would change this to 1.5%. It is now 1.5% for eleven to twenty years. The bill would change this to 1.75%. After twenty years it would go to 2% and there would be no change.

The bill would change the Post-Retirement Pension Adjustment from a maximum of 1.5% to a maximum of 4%.

Mr. Carter said that there have only be three Post Retirement Pension Adjustments since the fund started. He said the cost of living was going up faster than 1.5% so this was being changed to 4%. He said that he would like to have the intent go into it that if they could afford it, this year would be the year for it.

Mr. Fink said that if a guy worked for 10 years he would get 10% of the average of the three highest year's salaries. Mr. Carter explained that if the bill passed, the guy would get 15%.

Mr. Carter said that the other big change is non-occupational death benefit. If an employee died, his spouse would receive \$100 for each year of credited service. The beneficiary would also receive the employee's retirement contribution plus \$1,000.

Mr. Fink asked if Administration endorsed this bill. Mr. Freer said that the Administration had endorsed the bill with the 4.25% employee contribution rate.

Mr. Carter said that the entire package that the employees requested this year, as includes retirement and longevity, and dental insurance and unemployment insurance comes up to \$3.9 million. He was trying to point out that had they asked for a 5% increase, it would have cost more than if they were to receive the entire package this year.

Mr. Carter added he hadn't spoken to the vesting reduction. He said this was not an item the employees had requested, but he didn't think it would be a good idea to oppose it. He said that presently an employee vests in service in eight years. If the bill passes, he would vest in five years.

Mr. Warwick asked if they should give the employees a lover vesting if they didn't want it and it was going to cost money.

Miss Hackwood said she wasn't sure they didn't want it. She said the teacher's goal in the national association is a five year vesting.

Mr. Carter said that the Administration felt that a lower vesting would make the system better.

Mr. Warwick asked Mr. Carter if he felt it improved the system. Mr. Carter replied that it was costing them money and they didn't get any benefit from it. He said they were saying it is a .04% cost factor. He said that they were trying to be competitive and improve things, so after talking with Administration, he is not going to oppose it.

Mr. Carter noted that the cost of the bill would be \$1.8 million, so they were actually still within the \$2 million framework the Governor had allowed, with the 4%.

[Mr. Wright arrives.]

Mr. Carter pointed out that the state employees weren't getting everything they had asked for. They had also requested a 25% cost of living for people in Alaska.

Copies of the State Affairs Committee Substitute were passed out.

Miss Hackwood said that the State Affairs Committee Substitute, without an increase in employee's contribution, would be \$2.3 million.

Mr. Hohman asked how much the employees contribute at a \$1.8 million cost to the State. Mr. Freer said \$500,000.

HB 588

Mr. Hohman stated that HOUSE BILL NO. 588 (An Act relating to coverage of correctional officers under the Public Employees Retirement System) would be under discussion. He asked Mr. Carter to speak on this.

Mr. Carter stated that he was not prepared to testify on the Association's position. He said that they had been working on the retirement bill for everyone. He said that this bill had not been a priority item at their Assembly.

Miss Hackwood said she had sent them a cost analysis on this.

Miss Hackwood said that they had taken the stand that only those persons defined under Title I, which defines peace officers should be defined as peace officers. It was her recommendation that if there were to be other groups classified--other than those specified as peace officers and firemen --they should be pulled out from the public retirement program and put as a separate title, so that the true cost could be arrived at.

Miss Hackwood said that this particular bill would be a cost of 24% if it was put back to the department. If it were to be spread over the entire payroll, the effect may be insignificant. However, she said that the bill obviously had impact.

RECESS

Meeting recessed at 10:00 a.m.

COST ANALYSIS  
PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
(REVISED)

4/6/72

ANALYSIS OF C.S. S.B. 264 HOUSE STATE AFFAIRS VERSION

1971 EMPLOYER CONTRIBUTIONS RATE	7.84%
	3.20% Benefit Formula
	.04% Vesting Reduction
	.01% Non-Occupation Service Reduction
	.01% Minimum Benefit
	.03% Service Benefit
	3.35%
	.60% Value of Additional Employee Contr.
	2.75%
COST REQUIREMENT FOR C.S. S.B. 264	

CURRENT COVERED PAYROLL \$63,844,214

CURRENT MATCHING CONTRIBUTIONS (\$63,844,214 x 7.84%) 5,005,386

ADDITIONAL COST FOR C.S. S.B. 264 (\$63,844,214 x 2.75%)  
     @4.25% EE Rate 1,755,816  
     ~~(\$63,844,214 x 2.95%)~~  
     @4% EE Rate 1,883,404

	<u>1972-1973</u>	<u>1973-1974</u>	<u>1974-1975</u>	<u>1975-1976</u>	<u>1976-1977</u>
*PROJECTED COVERED PAYROLL	\$66,078,761	\$ 68,391,518	\$ 70,785,221	\$ 73,262,704	\$ 75,826,899
ANTICIPATED COSTS OF BILL					
EE Rate @4.25%	1,817,166	1,880,767	1,946,594	2,014,724	2,085,240
EE Rate @4.0%	1,949,323	2,017,550	2,088,164	2,161,250	2,236,894

\*BASED UPON ANNUAL PAYROLL INCREASE OF 3.5%

-458-

AFTER RECESS

1:25 p.m.

Present: All members except Mr. Ditman. Mr. Dave Hoke and Mr. Ralph McGrath, Anchorage Community College, were also present.

ANCHORAGE  
COMMUNITY  
COLLEGE

Chairman Hohman called the meeting to order and said the committee would consider testimony on the Anchorage Community College.

Mr. Hoke explained that he was the President of the Anchorage Community College Faculty Organization. He said they were very concerned with the rumor that the community college would be absorbed into the four year college in Anchorage. He said if this happened vocational programs would have a rather low priority and this is one of the greatest services the community college has to offer. He said he felt that the vocational program was probably the most effective part of their program. The Anchorage Community College has an "open door" policy where anybody can take classes -- the University does not have this policy. He said they feel they can serve a far greater variety of students than the University can.

Mr. Hoke noted there is a morale problem at the Community College. He said if the legislature feels that the Community College should stay as it is they would like to have an expression of their feeling.

Mr. Hoke said the Community College is "far and away the most efficient organization of the University".

Mr. Hoke said the budget that the administration had presented had been cut pretty much across the board and so the places which "were fat are still fat and the places which were lean are still lean". Mr. Hoke said they would need roughly \$500,000 more just to keep the vocational programs going and to open the new building. Mr. Hoke said that some people who need certain courses to finish their degrees may not get them. He said they did not feel that the Board of Regents is concerned with their plight. He said they had tried to discuss their problems in-house but did not get too much desirable action from the Regents.

Mr. Hoke said their immediate concern is with their summer school. At the present time they do not know if they will be allowed to have a summer schedule. He said they have 4,000 students who will enroll in their summer program. In answer to Mr. Fink, Mr. Hoke said their summer school starts June 7.

Mr. Wright said he felt that Mr. Hoke and Mr. McGrath should address themselves to Anchorage's needs and the committee would try to remedy this. Mr. Hoke said they were not asking that anything be taken away from Fairbanks. He said he felt they should decide what priorities should be upgraded.

In answer to Mr. Wright, Mr. McGrath said the Community College by function is community oriented. Consequently their purpose is to serve a much broader spectrum. Mr. McGrath said when they are talking of four year institutions, these institutions are emphasizing academic programs. He said they feel the Community College does a lot in vocational, occupational fields that is not inherent in four year institutions. Mr. McGrath said that the Community College also has the function of the first two years for those students who want to transfer and this is their tie with the University.

Mr. Hoke asked if there was not a crunch on dollars, would the committee be adverse to the college asking for more than the 5 3/4% increase. He said the Soli report had indicated that the University of Alaska's salary schedules are next to the bottom. The committee requested they be furnished a memo of the college's salary schedule.

Representative Bowman entered the meeting.

Mr. Fink asked if they felt that the academically oriented student is benefiting from the community college setting. Mr. Hoke said yes because of the individual type instruction. This was briefly discussed.

Mr. Wright pointed out that the committee has spent a great deal of time on the higher education topic and he felt that this would be beneficial to the community college.

Mr. Hoke said he would like to quell the idea that there is a great amount of descent between the Community College and the Sr. College. He said they believed that the Anchorage people should have an opportunity for a four year education but they did not want the Community College given away to meet this need.

Recess: The meeting recessed at 2:00 p.m.

AFTER RECESS

2:15 p.m.

Present: All members. Representatives Willard L. Bowman; Marty Farrell; Mike Miller. Joseph R. Henri, Commissioner; Richard W. Freer, Deputy Commissioner, Department of Administration; Eric E. Wohlforth, Commissioner, Department of Revenue; George W. Easley, Commissioner; John Benson, Department of Public Works; Kenneth W. Kadow, Commissioner, Department of Commerce; Ken Gain, Ernie Spink, ASHA; Lucian Cassetta, CCC/HOK, Architects; Robert C. Rosenberg, Hankin, Delafield & Wood; T. M. Doogan, Alaska Judicial Council; Ken Brady, Alaska Judicial Council; Robert N. Reeves, Administrative Director of Courts; Thomas B. Stewart; Victor D. Carlson, Superior Court Judges; Wilson L. Condon, Assistant Attorney General; Joe LaRocca, and other interested members of the press.

HCR 45

Mr. Hohman called the meeting to order and asked for testimony on the proposed Juneau Court building. Mr. Henri stated the administration had given considerable thought and research to the committee's questions on this subject and, although they thought it would be an informal meeting, they would proceed with the information they had prepared. Mr. Henri introduced the gentlemen present to testify, and said the background of the court house planning would be given by Judge Stewart.

Judge Stewart stated his responsibility is that of presiding judge of the district, but the Supreme Court asked him to express their views to the committee also. He gave his experience and qualifications, including the fact that he had planned the Anchorage and Fairbanks court buildings while employed in the administrative director's office. Judge Stewart said Juneau is the only major location in the state that has not had a court facility since statehood. The present facilities are 40 years old and totally inadequate. The growth rate is about 10% per year, and approximately a doubling of the caseload since the system began.

Judge Stewart continued by giving a history of the planning of the proposed court building, initiated in 1969 by Chief Justice Nesbitt. As the project advanced, a rough estimate of 80,000 square feet net usable space was projected, later reduced to 62,000 and then reduced again to 36,000 square feet. Judge Stewart noted he was opposed to the bill enacted last year to build for \$3.5 million, as his experience showed this would force building of a totally inadequate structure and, in effect, be a fraud to the public.

His recommendation at the time was to appropriate approximately \$50,000 for planning, including site selection, interior floor plans, etc. A committee was formed and Lucian Cassetta was engaged to proceed with the plans. A conservative but attractive

building was envisioned and a central site selected. Judge Stewart emphasized the fact of the importance of a central locations, both for litigants and lawyers. He continued by saying he was authorized to speak for the Supreme Court, who voted unanimously to endorse the project as it had been presented.

One final item mentioned by Judge Stewart was the parking facilities included in the plan. He thought it was essential both to the operation of the court and the legislative branch that such parking be provided.

Mr. Henri supplemented statements about the selection of the site. Site C was chosen and the new office building is on Site A. Site B, the original selection, would take the Juneau library and houses up the hill, opposed by the residents of Juneau since it would interrupt library service. Site C would provide better parking and also expose the front of the state capitol building.

Mr. Wohlforth noted the statistical information distributed to the committee (see bill file), and referred to the last page, Estimated Costs and Funds Expended. Expended to date, second column, totals \$1,189,398, and the possible liability, third column, totals \$1,411,746. Mr. Wohlforth said Mr. Rosenberg and he had gone over various possibilities and were present to answer questions. Mr. Fink suggested questions be deferred until all testimony had been presented.

Mr. Easley referred to the first seven pages of the report presented to the committee (see bill file), and said this gave a definitive preliminary estimate of costs. The furniture listed in the estimate is not for moveable furniture, but only for benches, etc., associated with court rooms. The cost per square foot estimate is based on the actual cost of the building, and does not include the cost of acquisition, furniture, or parking. Mr. Easley then reviewed the various sites and estimated costs on each page of the report.

A building could be constructed at a cheaper cost per square foot, according to Mr. Easley, but the estimates are predicated on the needs of the court system and the best judgment of the architect involved. The figures presented probably could be reduced as actual building is done, but Mr. Easley said their policy is to start out with a healthy estimate and hope the money will not all be spent. On this particular building a contingency factor of \$394,000 was allowed, representing far more than the normal 4% contingency factor.

The meeting was opened to questions and Mr. Warwick asked if any alternatives had been prepared. He stated the witnesses had just repeated no other alternatives are possible. Mr. Warwick argued with the method of computing cost per square foot and,

although Mr. Easley said this method conformed to the industry's way of estimating, disagreed with the method. Mr. Easley replied it would be simple enough to include all costs if the committee wanted to do it, but he had never heard of estimates done that way. Mr. Warwick said the actual cost per square foot would run about \$125 and suggested a bigger building would cut these costs. Mr. Henri agreed, and said that was why the cost per square foot on the Anchorage court building was less than estimates prepared for the Juneau court building. Mr. Warwick added the square footage could be doubled and other state agencies housed in the building.

In answer to a question from Mr. Wright, Mr. Easley said the very nature of a court room does not lend itself to efficiency normally found in an office building and asked Mr. Cassetta for further information. Mr. Cassetta replied the net usable space is actually 38,000 square feet, giving about a 60% efficiency. Office buildings will vary from 70% to 80% efficiency, but this is the normal efficiency factor for court buildings because of large courtrooms and lobbies.

Mr. Wright questioned the parking facilities, and Mr. Easley said the parking is planned along the requirements of the City of Juneau zoning requirements. In this particular zone there is no off-street parking and an adequate number of spaces must be provided.

Mr. Wright then noted there are more judges in Anchorage with less space per judge, to which Mr. Henri replied a court room is not required for each judge as they can alternate use of the room. Efficiency is greater in Anchorage on the basis of dollars per square foot; however, an independent study to check the judicial wishes showed the standards in Juneau to be way below the SUA figure.

Mr. Ditman questioned a press release from the Governor this morning concerning the court house. Joe LaRocca said the Governor had been asked whether the administration planned to offer any alternative to the present court house. His answer was the administration would come forth with other alternatives and indicated very strongly he was not in favor of the present plan. Mr. Ditman assumed this meant he would reduce the size and cost, and asked if this had been mentioned to anyone present at the meeting. Mr. Easley replied it was their intent to have an informal meeting today with the finance committee to go over what has been developed so far. At the conclusion of the meeting, they planned to meet with the Governor and go over all phases, then return to the finance committee for a formal meeting based on all factors.

Mr. Wohlforth then noted that Mr. Rosenberg was present to answer any questions regarding the financial and legal ramifications of passage of HCR 45, and other experts were prepared to testify by telephone.

Recess: Mr. Hohman requested a recess of the meeting at 3:10 p.m.

AFTER RECESS

3:35 p.m.

Mrs. Banfield had entered the meeting.

Chairman Hohman called the meeting back to order and discussion continued on the Juneau Court House.

Mr. Wright said they had heard testimony on how this court house could not be built at the lower cost and he requested the administration tell the committee how it can be done.

Mr. Wohlforth said they would attempt to tell the committee what can be done in terms of the existing bond contract.

Mr. Rosenberg said he had analyzed the documents and believed there were three alternatives. The first alternative is to redesign the building within the framework of the lease. Mr. Rosenberg said the second alternative would be to put the building on another site but if this were done they would have to make some provision to reimburse for money expended for site acquisition. The lease provides that the state can change sites if the new site has a utility greater or equal to the site. Mr. Rosenberg said he did not know if they could come up with a site that answers this.

Mr. Rosenberg said that he had looked at HCR 45 which would withdraw approval for the Court House. He said he felt this has serious problems because based on SCR 45 which passed last year ASHA did sell bonds and enter into an agreement with the State. He said he thought they had to work within the framework of the existing resolution, trust indenture and lease. Mr. Rosenberg said another alternative is that the legislature could authorize authority to borrow sufficient monies to defease the lien as provided in the trust indenture. He explained this procedure by saying that the State would have to come up with an appropriation to cover amounts spent plus an additional amount to defease it. He said the State's potential appropriation would have to be a minimum of \$1.7 million to \$2 million to defease it. As of today the State has in the various bond funds approximately \$7 million they would have to defease. He added that Article XII of the trust indenture provides how to defease.

Mr. Rosenberg said this would require that they would have to deposit with the trustee monies sufficient to pay both principal and interest on the bonds.

Mr. Wohlforth said there are two possible ways this could be done. They could deposit with the trustee the full amount of dollars necessary to retire the bonds or they could purchase government securities sufficient to cover principal and interest payment. Mr. Wohlforth said they would prefer the second approach. He said through refunding the bond issue ASHA could provide monies to place with the trustee (government obligations which would pay off this amount), take the balance of the money in the construction fund together with a sufficient amount of appropriation and place those monies with the trustee. Mr. Wohlforth said they are uncertain of the amount of appropriation needed but it would probably be about \$1.5 million. He said this approach would give rise to the possibility of a new resolution authorizing construction of a court house of a lesser amount. In this way, "it would give rise to that possibility and indeed it could be constructed on a site of the choice of the legislature and things could go forward on that basis" Mr. Wohlforth added. He said there will be a dollar cost of the expended and unrecoverable monies to date. There is a possibility that monies may have to be placed with the trustee to take care of security for which they cannot find government bonds, he said.

Mr. Wohlforth said he had contacted Mr. Rafferty, the financial advisor, and asked him what the market reaction would be to this. Mr. Rafferty had indicated that the reaction of one group of individuals would be that they would be delighted. This would be the individuals who had purchased the \$8.2 million ASHA bonds who now find themselves secured by direct obligations of the U.S. Government. The rating of these bonds would go to Triple A status, Mr. Wohlforth said. Mr. Wohlforth continued that Mr. Rafferty had also said there could be some serious overtones if indeed some bond purchasers determined the state had turned around in a remarkably short time and had "in effect thrown away \$1.5 million." Mr. Wohlforth said there is an element of risk if this comes to the "street" and is tied in with the thought that the North Slope revenues may be delayed. Mr. Wohlforth said he was trying to be as candid as possible -- there is a risk element.

In answer to Mr. Warwick, Mr. Rosenberg said the bond holders expect the building to be \$8 million. If they build a \$4 million building they have a problem as the state is paying rent on an \$8 million building, he added. Mr. Warwick asked about the possibility of reducing the parking space and adding office space. Mr. Condon said if they redesign the building and have a delay in the completion date then this would be in breach. Mr. Rosenberg said the completion date of April 1, 1975 is provided in the bond covenant. He said as long as the building would go according to the schedule it "would probably be alright". Mr. Warwick said this would be for a building of a similar cost. Mr. Rosenberg said the plans and specifications in the lease are to be agreed upon by the parties involved. Mr. Warwick asked if there would be a problem if they reduced the square feet for parking and added more office space. Mr. Rosenberg said he felt there was latitude and that this could be done.

Mr. Fink said he would like them to assume that the administration agreed to build a building on the existing site not to exceed \$40 per square foot. He said that if they redesign they could not start building right away. If it took 18 months to redesign, then this would provide the time necessary so the Department of Health and Social Services would not have to move from their present location until the completion of the new state office building. Mr. Rosenberg said he thought they would agree to a redesign as long as the building is ready for occupancy by April 1, 1975. Mr. Condon pointed out that ASHA could not agree to a revision of the building which would take them past their scheduled completion date. Mr. Condon said another point would be whether or not the trustee thought this would be a "reasonable delay".

Mr. Easley said the new office building is scheduled for completion in the summer of 1973 and will be occupied by January, 1974. He referred to Mr. Fink's statement that the Department of Health and Social Services could move into the Alaska Office Building in 18 months. He said they were actually talking about more time than this.

Mr. Fink asked the minimum amount of time to build a building of this nature. Mr. Cassetta noted a similar building just let is planned for completion in 365 days.

Mr. Fink said as he saw it the worse thing that could happen would be that the state could take \$8 million worth of bonds and defease it. Mr. Rosenberg said this would also involve the credit rating of the Alaska State Housing Authority.

Mr. Fink referred back to the assumptions of the delay of 18 months asking if this would be a default. Mr. Rosenberg said this is a question of fact and he did not know. He said the questions Mr. Fink was asking were hypothetical.

Mr. Warwick said he felt the commissioners had an idea of the intent of the committee and he moved they adjourn and give the commissioners time to discuss this.

Adjournment: The meeting adjourned at 4:15 p.m.

AFTER RECESS  
April 7, 1972  
1:10 p.m.

Representatives Ditman, Fink and Haugen. Also present were Major General William S. Elmore and Lieutenant Colonel Glenn Byington from the Department of Military Affairs. Mr. Robert DuPere, lobbyist for the National Guard and Mr. Brunette were also in attendance.

HB 345

Under discussion was HOUSE BILL NO. 345 ("An Act relating to the inclusion of certain employees of the Department of Military Affairs in the Peace Officers and Firemen's Retirement Program.").

Major General Elmore emphasized that National Guard members could be forced out of their jobs before the retirement age of 60 years. Mr. Burnett stated that this bill was particularly important for those men in the National Guard due to the hazardous conditions under which they operated so frequently. National Guardsmen had a higher rate of death during active duty than did peace officers and firemen.

Mr. DuPere said that firemen and policemen are retired at an earlier age because of the risks involved in their jobs. He stated that the Department of Military Affairs is trying to get equity, acknowledging that the risk is there for the National Guardsmen.

Representative Fink stated that the Division of Retirement Benefits says the actual cost would be a 28.5% increase of military salary; the total which when meshed with the rest of the state is .02%. Mr. DuPere said that is correct for a state slice, but they were talking about 300 employees in the Department of Military Affairs.

Major General Elmore said he didn't think there would be a great deal of impact because of the number of employees who would fall under this retirement plan. Mr. Fink pointed out that the clause on peaceofficers and the 20 % increase is a fair amount of the budget.

Representative Fink left the meeting.

HOUSE BILL NO. 414 ("An Act relating to the retirement and death benefits for members of the National Guard; and providing for an effective date.") was brought up for discussion.

Major General Elmore stated that the State Affairs Committee had added something to the original bill. Representative Ditman said that they had tacked on a section which included employees of the court system and had changed the title of the bill to read "An Act relating to retirement and death benefits for certain persons; and providing for an effective date."

Mr. Hogan said the change of title was legal. Representative Ditman said they would refer to the original bill for the time being.

Major General Elmore passed out copies of an impact statement (see original bill file). He explained that HB 414 pertains to a retirement plan for members of the Alaska National Guard or Alaska Naval Militia who have completed 20 or more years of service to the State of Alaska through their military careers. Benefits would be \$50 per month for the same number of years creditable service in the military to be drawn upon discharge or deferred to a later date. It would also provide for a lump sum payment of unpaid benefits to beneficiaries upon the death of a member.

Major General Elmore stated that the life expectancy for native Alaska Guardsmen was substantially shorter than other Guardsmen. He said that this would primarily affect two Alaska Scout battalions of the Bethel and Nome-Barrow areas. Mr. Burnett stated that this bill would be an inducement for men to stay in the National Guard.

[Representative Fink re-entered the meeting].  
Mr. DuPere stressed the difficulty they had in maintaining their military people, and it was necessary to keep up the units strengths to the TO&E level in order that the \$9,000,000 of federal money would keep coming in.

Representative Ditman asked Mr. Hogan for a run-down from Administration as to the fiscal note on the Committee Substitute of HB 414. Mr. Hogan stated that Administration will "throw up their hands" because judicial retirement is handled on an appropriation basis.

Representative Fink stated that the Finance Committee did not have a percentage figure from Miss Hackwood of Retirement Benefits.

Major General Elmore stated that there is one figure from the Finance Committee. Representative Ditman read "28.4" and asked if there was a connection between that figure and the 28.5 percent of HB 345 which had just been discussed. Representative Fink stated that he was talking about operating cost, and that there should be a percentage of pay roll.

Major General Elmore said these people would be paid by the federal government. Mr. Fink stated that they would be receiving \$50 per month. Mr. Brunette said the figure is the total if everyone was eligible and retired.

Mr. Fink mentioned the Clerk V position for the retirement section. Representative Ditman said he thought that such a position would not be necessary.

Representative Ditman noted that under the fiscal note, it would take \$10,600 a year to handle a \$10,600 project.

Mr. DuPere said that the decision of going on an actuary basis could be made later, but in the meantime it was necessary to push the bill out or fund the actual need now. Representative Fink said that the bill was on an actuary basis, but there was no actuary figure. He stated that someone had computed how many people would reach the twenty year mark, but the actuary would not do this because a number of people would not live that long. Mr. Brunette said this was a maximum figure.

Representative Fink then asked if out-of-state members who had moved to Alaska were included in the bill. Major General Elmore said that in order to receive these benefits, the member must have served 20 years in the Alaska National Guard.

Representative Fink pointed out that the way the bill is written, one member who had served 10 years in Oklahoma and then had moved to Alaska and retired after three years' service in the state could receive the benefits. Mr. DuPere said yes, if the National Guard forced him into retirement.

Representative Fink then requested Miss M.J. Hackwood's comments on HB 414.

HOUSE BILL NO. 439 ("An Act relating to the public employees retirement system; and providing for an effective date.") came up for discussion.

Major General Elmore stated that one man had been forced to retire at the age of 60 years. At that time the state retirement age was 65. The following year it had dropped to the age of 60.). When the man applied for state retirement they told him to wait until he was 65 years old. He continued to explain that this was due to the mistake of dates which should read July 31, 1968 instead of August 1, 1968. Actually the man could have stayed on until he was 62 years old because he was a warrant officer and both warrant officers and general officers had a retirement age of 62 years.

Representative Fink said he wanted a memorandum from Miss Hackwood of Retirement Benefits stating that only one man was affected by this situation.

Major General Elmore said that there would be no great financial impact on the state. Representative Ditman said the date should be moved back to July 1, 1968.

Mr. DuPere stated that the program they were working on should have a separate appropriation (he was referring to the three R's: recruitment, retention, and retirement), so there would be no mix-up in administrative overhead. He said there is a difference between the program and the normal administration overhead of the department. He added that the program brings in \$9,000,000 of primary money.

He said it will also enable the department to keep the strengths of the units up to par.

Colonel Byington said that in the Anchorage area, 26 helicopters and 50 more technicians will be brought in which will provide a high class mobile equipment strength. Mr. DuPere added that this will also provide a tremendous search and rescue capacity.

Mr. DuPere said that if they can pull men in to the Guard and keep them there, they will have a bargaining power. They compete on a performance level, and retirement and re-enlistment programs are paying off in percentages.

It was noted that there was a 50 - 50 split in urban and rural members (90% of the urban members were in Anchorage). Major General Elmore stated that where an educational program would be of the utmost importance in Anchorage, it would not be so in Bethel, where the retirement program would predominate.

Mr. DuPere said it was of major importance for the three R's program to come under separate appropriation. He stated that the Budget Review Commission had not cared for the education program, so they cut it out; this was done after men had signed up for the education program and expected it to come through. Mr. Fink said it was the Governor's idea to make that part of the scholarship loan program. Major General Elmore said that if it had been, anyone could use the money outside the state; their main idea was to keep these people in the state and in the National Guard. Mr. DuPere said this program was drawn up by the troopers themselves and not the officers.

Mr. Fink asked if the re-enlistment was included in the budget and not the educational. Mr. DuPere said that was correct.

Mr. Ditman asked how much money it would cost for a short run this year. Mr. DuPere replied that he did not know.

HCR 4 Major General Elmore then asked if they could speak in support of HCR 4 which relates to the building in Anchorage of a disaster office which would house the Department of Military Affairs, the State Police, and the Alaska Disaster Office.

Representative Ditman said there were no problems with HCR 4, just problems with the Alaska State Housing Authority.

The meeting recessed at 1:55 p.m.

HOUSE FINANCE COMMITTEE

April 11, 1972

8:30 a.m.

Present: All members. Mr. E. Wilson, Deputy Commissioner of the Department of Commerce; Mr. Hank Pratt, and Mr. Joe LaRocca was also present.

HCR 45 Chairman Hohman called the meeting to order and the committee briefly considered HOUSE CONCURRENT RESOLUTION NO. 45 (leasing of space from ASHA). The committee instructed the staff to prepare a draft letter to the Speaker of the House on this resolution incorporating the committee's wishes on the Juneau Court Building.

Bill Assignment The following bills were assigned:

HB 618 HOUSE BILL NO. 618 (exemptions from sport fishing, hunting, and trapping licenses) -- Warwick

HB 733 HOUSE BILL NO. 733 (establishing a self-insurance fund) -- Ditman

HCR 18 HOUSE CONCURRENT RESOLUTION NO. 18 (a study of secondary education policies and programs in Alaska) -- Wright

SB 264 COMMITTEE SUBSTITUTE FOR SENATE BILL NO. 264 (FINANCE) AM (Relating to retirement benefits) -- Fink

SB 298 COMMITTEE SUBSTITUTE FOR SENATE BILL NO. 298 am (State matching funds for the construction of sports facilities) -- Hohman

HB 515 Mr. Hohman moved and asked unanimous consent that HOUSE BILL NO. 515 (appropriating for expense by state for an airplane crash of 9-4-71) pass from committee with a "do pass" recommendation. Mr. Fink objected. After a brief discussion, Mr. Fink withdrew his objection and HB 515 passed from committee with 5 "do pass" recommendations and 2 "no recommendation" votes (Mr. Fink and Mr. Haugen voting "no recommendation").

Recess: The committee then went into a budget review on the Department of Commerce (see budget minutes).

AFTER RECESS

9:45 a.m.

PRESENT: All members.

HB 499 Chairman Hohman called the meeting back to order and the committee considered HOUSE BILL NO. 499 (an act creating the Alaska Regional Corporation Organizational Loan Fund).

Mr. Fink had a proposed committee substitute for this bill and he presented this to the committee. They briefly discussed this but no action was taken on the bill as it was not yet in committee.

Recess: The meeting recessed at 10:00 a.m.